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*Canada. External Affairs, Standing*  
(HOUSE OF COMMONS *Committee on, 1957/58*)

First Session—Twenty-third Parliament

1957

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STANDING COMMITTEE

ON

# EXTERNAL AFFAIRS

Chairman: H. O. WHITE, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

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THURSDAY, NOVEMBER 28, 1957

TUESDAY, DECEMBER 3, 1957

MAIN ESTIMATES OF THE DEPARTMENT OF  
EXTERNAL AFFAIRS—1957-58

Statement by The Honourable Sidney E. Smith, Secretary of State for  
External Affairs.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1957.



## STANDING COMMITTEE ON EXTERNAL AFFAIRS

*Chairman:* H. O. White, Esq.

and Messrs.

Aitken, Miss  
Argue,  
Breton,  
Cannon,  
Cardin,  
Coldwell,  
Crestohl,  
Fairfield,  
Garland,  
Gauthier  
(*Lake St. John*),  
Herridge,

Holowach,  
Jones,  
Jung,  
Knowles (*Winnipeg  
North Centre*),  
Kucherepa,  
Lennard,  
Low,  
MacEachen,  
Macnaughton,  
Macquarrie,  
Martin (*Essex East*),

McCleave,  
Nesbitt,  
Patterson,  
Pearson,  
Pratt,  
Rea,  
Richard (*Ottawa East*),  
\*Sinclair,  
Smith (*Calgary South*),  
Stick,  
Stuart (*Charlotte*),  
Van Horne—35.

(Quorum 10)

J. E. O'Connor,  
*Clerk of the Committee.*

\*Replaced on Wednesday, November 27, by Mr. Haidasz.



# ORDERS OF REFERENCE

## HOUSE OF COMMONS,

MONDAY, November 18, 1957.

*Resolved*,—That the following Members do compose the Standing Committee on External Affairs:

### Messrs.

Aitken, (Miss)	Jones,	Nesbitt,
Argue,	Jung,	Patterson,
Breton,	Knowles (Winnipeg	Pearson,
Cannon,	North Centre),	Pratt,
Cardin,	Kucherepa,	Rea,
Coldwell,	Lennard,	Richard (Ottawa East),
Crestohl,	Low,	Sinclair,
Fairfield,	MacEachen,	Smith (Calgary South),
Garland,	Macnaughton,	Stick,
Gauthier	Macquarrie,	Stuart (Charlotte),
(Lake St. John),	Martin (Essex East),	Van Horne,
Herridge,	McCleave,	White—35.
Holowach,		

*Ordered*,—That the Standing Committee on External Affairs be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

TUESDAY, November 26, 1957.

*Ordered*,—That items numbered 94 to 118 inclusive of the Main Estimates 1957-58, item numbered 617 of the Supplementary Estimates 1957-58, and item numbered 778 of the Further Supplementary Estimates (2), 1957-58, be withdrawn from the Committee of Supply, and referred to the Standing Committee on External Affairs, saving always the powers of the Committee of Supply in relation to the voting of public moneys.

WEDNESDAY, November 27, 1957.

*Ordered*,—That the name of Mr. Haidasz be substituted for that of Mr. Sinclair on the said Committee.

THURSDAY, November 28, 1957.

*Ordered*,—That the said Committee be authorized to sit while the House is sitting.

*Ordered*,—That the said Committee be empowered to print from day to day, seven hundred and fifty copies in English and three hundred and fifty copies in French of its Minutes of Proceedings and Evidence, and that Standing Order 66 be suspended in relation thereto.

Attest.

LEON J. RAYMOND,  
Clerk of the House.

## REPORT TO THE HOUSE

THURSDAY, November 28, 1957.

The Standing Committee on External Affairs begs leave to present the following as its

### First Report

Your Committee recommends:

1. That it be authorized to sit while the House is sitting.
2. That it be empowered to print from day to day, seven hundred and fifty copies in English and three hundred and fifty copies in French of its Minutes of Proceedings and Evidence, and that Standing Order No. 66 be suspended in relation thereto.

Respectfully submitted.

H. O. WHITE,  
*Chairman.*



## MINUTES OF PROCEEDINGS

THURSDAY, November 28, 1957.

The Standing Committee on External Affairs met at 10.00 a.m. this day. The Chairman, Mr. H. O. White, presided.

*Members present:* Miss Aitken, Messrs. Argue, Cardin, Fairfield, Herridge, Holowach, Jung, Knowles (*Winnipeg North*), Kucherepa, Low, Macquarrie, Patterson, Pratt, Rea, Smith (*Calgary South*), Stuart (*Charlotte*), and White.—17.

Mr. White thanked members of the Committee for the honour given him in his election as chairman and asked that the spirit of co-operation which always prevailed in the committee be continued.

The Orders of Reference were read by the Chairman.

On motion of Mr. Herridge, seconded by Mr. Jung,

*Resolved*,—That a recommendation be made to print 750 copies in English and 350 copies in French of its minutes of proceedings and evidence.

On the motion of Mr. Rea, seconded by Mr. Macquarrie,

*Resolved*,—That a recommendation be made to the House to empower the committee to sit while the House is sitting.

On the motion of Mr. Patterson, seconded by Mr. Rea,

*Resolved*,—That a sub-committee on Agenda and Procedure be appointed comprising the Chairman and 8 members to be designated by him.

Members were informed that the Secretary of State for External Affairs would be pleased to appear before the Committee Tuesday, Thursday and Friday of the week of December 1-7, together with any departmental officers required.

The Committee adjourned at 10.15 a.m. to meet again at 11.00 a.m. Tuesday, December 3.

TUESDAY, December 3, 1957.

The Standing Committee on External Affairs met at 11.00 a.m. this day. The Chairman, Mr. H. O. White, presided.

*Members present:* Miss Aitken, Messrs. Argue, Cardin, Coldwell, Crestohl, Fairfield, Gauthier (*Lake St. John*), Herridge, Holowach, Jones, Jung, Knowles (*Winnipeg North Centre*), Kucherepa, Low, MacEachen, Macquarrie, McCleave, Patterson, Pearson, Pratt, Smith (*Calgary South*), Stick, Stuart (*Charlotte*), and White.—24.

*In attendance:* The Honourable Sidney Smith, Secretary of State for External Affairs; Messrs. Jules Léger, Under-Secretary of State for External Affairs; W. D. Matthews, Assistant Under-Secretary of State for External Affairs; H. F. Clark, Director, Finance Division; H. B. Robinson, Special Assistant to the Secretary of State for External Affairs; W. T. Delworth, Executive Assistant to the Secretary of State for External Affairs; R. Grey, Economic Division.



## STANDING COMMITTEE

The Chairman announced that Messrs. Garland, Cardin, MacEachen, Smith, Macquarrie, Jung, Low, and Knowles comprise the Sub-committee on Agenda and Procedure and stated that the Sub-committee had met on Monday, December 2, 1957. He reported that, in addition to officers of the Department of External Affairs, the Sub-committee recommended that General A. G. L. McNaughton, Chairman of the Canadian Section of the International Joint Commission, be asked to appear before the Committee on consideration of Item 112—International Joint Commission; and that Mr. R. G. Nik Cavell, Administrator of the International Economic and Technical Co-operation Division of the Department of Trade and Commerce, be invited to appear on Item 114—Colombo Plan.

Item 94—Departmental Administration was called by the Chairman.

Dr. Sidney E. Smith, Secretary of State for External Affairs, was introduced, and made a general statement on External Affairs including reference to the following subjects:

1. Proposed establishment of a consultive committee on External Affairs.
2. The illness of the President of the United States of America.
3. NATO meeting—Paris.
4. Shipment of arms to Tunisia.
5. Relations with USSR.
6. Economic Aid to Underdeveloped countries.
7. Canadian Mission to Cambodia.
8. Certain reductions in the Estimates of Department of External Affairs.

The Secretary of State for External Affairs was questioned by members of the Committee.

At 12.45 a.m., Mr. Smith's questioning continuing, the Committee adjourned to meet again at 3.00 p.m. Thursday, December 5, 1957.

J. E. O'CONNOR,  
*Clerk of the Committee.*

## EVIDENCE

TUESDAY, December 3, 1957,  
11.00 A.M.

The CHAIRMAN: Gentlemen, will you come to order? I see there is a quorum present, so we will not delay any further.

I have availed myself of the opportunity of surrounding myself with a steering committee on whose wisdom I am going to depend. They consist of Mr. Garland, Mr. Cardin, Mr. MacEachen, Mr. Arthur Smith, Mr. Macquarrie, Mr. Jung, Mr. Low and Mr. Knowles.

Yesterday we had the first meeting of that steering committee, and made plans for the conduct of these meetings. As you know, this is rather a full and busy session. At the moment we plan to have a meeting on Thursday at 3.00 p.m., and a short session at 10.00 a.m. on Friday. I note that Mr. Knowles mentioned at the earlier meeting, that the privilege which was given us to meet at the same time the House of Commons was sitting would be used sparingly. I indicated that we would try and do that as far as possible. With the extended sitting hours of the House of Commons, of course this becomes more difficult.

It was suggested at the steering committee meeting yesterday that we have, among others, General McNaughton to deal with item 112, the International Joint Commission, and that we would have Mr. Nik Cavell dealing with item 114, the Colombo plan.

I am going to ask, as a favour to myself, and to all the other members present, that when a member addresses the chair he identify himself the first time so that we will all know who is who. It would probably be wise if he would state his constituency, which would certainly aid the press and myself. Thank you.

I am going to call on Dr. Smith. I will call item 94, departmental administration.

94. Departmental administration, \$4,880,806.

Dr. Smith will make a statement, and then he will answer questions of the members of this committee.

MR. PATTERSON: Mr. Chairman, just before we proceed, I was wondering if the Secretary of State for External Affairs would make a complete statement covering all phases, and then have questions, or are we going to deal with one item at a time?

HON. SIDNEY EARLE SMITH (*Secretary of State for External Affairs*): Mr. Chairman, while I intend to take up certain points that were raised in the House of Commons last week, I would express the hope that I could deal with those first. In a few minutes I will be anxious to receive questions.

MR. PATTERSON: That is fine, thank you.

MR. SMITH (*Hastings-Frontenac*): Mr. Chairman, I am not a member of this committee but, pursuant to your injunction—

MR. STICK: Before you begin, Mr. Minister, I think it would be well, if we are going to have a statement, that it be printed and circulated so that we can follow it. We have done that before, and it was very successful in expediting the business of this committee.

Mr. SMITH (*Hastings-Frontenac*): Mr. Chairman, I only have the pencilled headings here, but I will bear that in mind.

The CHAIRMAN: We will plan to do that from now on, but we do not have the minister's statement in that form now.

Mr. SMITH (*Hastings-Frontenac*): As I started to say, Mr. Chairman, although I am not a member of the committee, pursuant to your injunction to the members of the committee, I will identify myself; Smith of Hastings-Frontenac.

After my extended tour d'hORIZON, and I have learned that phrase in the department, in the House of Commons last Tuesday, I had not intended to cover any of that ground again, except as I intimated a moment ago, where questions were raised in subsequent speeches.

There is also one question I had mind that was addressed to me during my speech. I would like to make this statement now, and I hasten to assure the committee, that I will be anxious, and am anxious to answer any questions. I invite questions because they will be helpful to me and to the department. Of course, I will always be available to the committee.

The hon. member for Algoma East (Mr. Pearson) in his speech in the House of Commons, when we were talking about going into supply on external affairs, expressed the hope that there would be collaboration among the various parties represented in the House of Commons. I endorse that stand. I recall that he expressed the hope that our foreign policy could be debated within our own territorial boundaries, but that we could carry beyond the waters of the sea some uniformity in so far as Canadian policy in this field is concerned. I do appreciate, Mr. Chairman, that the government must take responsibility. I look forward to working with this committee in order that differences may be reconciled. I will endeavour to answer questions immediately. If I do not know the answers, you will appreciate that I crave the opportunity to prepare a considered statement.

It is no doubt obvious to you, and no doubt has been the practice, on other occasions in meetings of this committee, that sometimes I will want to follow the text very carefully in order that negotiations with other nations, or in international organizations, will not be disturbed by misplaced accent in the statement.

The hon. member for Fraser Valley (Mr. Patterson), in his speech in the House of Commons, advocated an all-party consultation committee for the consideration, formulation, and elaboration of foreign policy. I am deeply conscious that we must keep in touch with the views of all sections of parliament. No one appreciates that any more than a newcomer, in the person of the new Secretary of State for External Affairs.

I do ask a question in reply to the proposal that was made by the hon. member for Fraser Valley (Mr. Patterson): Have we sufficient machinery at the present time to bring about that desirable result, and I underline the word "desirable"? We have the opportunity in debates, in the House of Commons, to exchange views, and to reconcile what might appear to be differences in attitudes.

Then we have an opportunity during the question period when the orders of the day are called to ascertain in some degree what the feeling is; and the questions are answered. There we have a forum for some consideration of government policy in this field.



In my brief experience I have found that these questions are helpful, of course, to the inquirer, but they are also helpful to the government.

Then we have this committee on which are representatives of all the parties. There are on this committee members who are deeply interested in external affairs, and who are indeed experts in this field.

Then it has been the practice—and one which this government intends to follow—that there have been designated every year at meetings of the United Nations, observers from all parties, and in that way there is an opportunity for mutual discussion. Then representatives of the various political parties are sent to other meetings of an international nature. I have in mind members of the house who went this year to the NATO Parliamentary Association. At this present moment there is a meeting of the Commonwealth Parliamentary Association in New Delhi.

I am wondering if this machinery does not afford sufficient opportunity for interparty consultation. Then I will say, Mr. Chairman, that I would be anxious to work with this committee, which is of a very representative character, not only for the consideration of estimates, of course, but for the discussion of general policy.

Now, with respect to another item upon which I did not dwell at length last Tuesday—and I am referring to NATO—the heads of governments will meet on the 16th, 17th and 18th of this month in Paris. We were all shocked—indeed, I was so shocked that I was not able to say very much when I made that announcement in the house—by the sudden illness of President Eisenhower. The NATO Council polled all the members of NATO, the fifteen of them, and asked for their recommendation with respect to the holding of a meeting at which there would be present the heads of government at the time designated—that is, December 16 to December 18.

The Canadian Government took the view that it would be undesirable to postpone the meeting, and it urged that the meeting be held. When the vote was taken—and I do not know whether it was unanimous or not—that view was upheld; that is, the proposal to hold the meeting as planned was upheld.

It is a dire fact of life that, notwithstanding death or incapacity of any one person, work must go on. And it was no reflection whatsoever on the wisdom and, indeed, genius of President Eisenhower—a man who can cooperate and coordinate the various conflicting views, as he demonstrated during the war—when I say that we felt, and it has now been decided, that the meeting should be held.

May I say this, without any sting whatever, that in my mind it would be undesirable particularly to postpone the meeting by reason of the illness of an American representative, even if it be that great leader, President Eisenhower because a postponement of the meeting might have been used by some countries in the world as an indication or a manifestation that NATO has to obey the suggestions that might be termed “American”.

I know nothing about it; but if, according to some press reports, it is possible that President Eisenhower can go, then the meeting undoubtedly will be more successful. That is my view. If he does not, then Canada of course will co-operate with his representative, Vice-President Nixon.

It is proposed at the present time that there will be in attendance from Canada at the meeting of the heads of government the Prime Minister, the

Right Honourable Mr. Diefenbaker, the Minister of National Defence, the Minister of Finance and myself. There will also be in attendance from Canada members of the staff of the various departments, and also members of the permanent delegation to NATO, who are on the spot now.

I am planning to leave on the 12th or 13th in order that I may meet heads of Canadian missions abroad, who will be in Paris on the 13th and 14th. In that way we will be able to ascertain from them some facets of the problem that will be discussed and to learn as quickly as we can the nature of the discussions and implications of the agenda.

It is a tribute to the permanent staff of the Department of External Affairs when I say that, so far as I can ascertain from telegrams, Canada was the first one, after the meeting of President Eisenhower and Prime Minister MacMillan in Washington, to suggest to other NATO countries that they should then—immediately—begin to prepare an agenda. I do not know the details of the agenda as yet. I have, however, a conspectus of it. But it has not yet been shaped into final form and, has not been approved.

I would just mention, in passing, the general nature of the meeting, as we see it here. It will be, first, a meeting to consider the co-operation in the military field, in terms of increasing our deterrent forces against aggression. In that respect I can assure you, sir, and the members of this committee, that Canada will endeavour to play a full part in this co-operative effort.

In my speech in the House I endeavoured to place before the Members of the House some of our views with respect to political aspects of the NATO meeting, and I am not going to traverse that ground again.

It is easy, I know, to say that Canada will play her full part in this co-operative effort in terms of increasing the deterrent forces against aggression. It is simple to state it; but to apply it over a wide variety of items will be more difficult.

In the field of production Canada will welcome the production of weapons of various kinds. If I might invoke a phrase I used to hear in industry, Canada will welcome a rationalization of the many endeavours on the part of NATO nations in the field of production of nuclear weapons.

There has been and there is a division of effort in that regard within NATO. Our defence—Canadian defence—is based on the principle of balanced forces. Other members have other tasks. I express the hope that Canada will do everything possible to fulfil this hope and that there will be rationalization and better understanding of the tasks for the various members—the fifteen members of the NATO council. Indeed herein lies the meaning of the word interdependence.

The second question is not only the knowledge with respect to scientific advances that is to be found in any of the—or in some of the—fifteen members of NATO, but also there will be questions of experimentation and scientific research in this regard. It has been hoped that, subject to changes in the McMahon Act in the United States, there will be additional pooling of atomic information and a co-ordination of efforts in that regard.

May I—and I suppose this manifests my own background in the field of education—make this remark in passing: that it is not possible to have scientific research unless you prepare the scientists. That will be a problem for Canadian colleges and universities; and I express the hope that thought will be given not only to the consideration of the know-how in terms of the production of nuclear weapons, but that also we will keep first in our minds the training of men, the preparing of men to consider fundamental research and to engage in fundamental research.

I was greatly impressed by a statement that I read in the *Montreal Gazette* a few days ago, of a speech given by Dr. Steacie, president of the National Research Council, in which he emphasized the need for renewed

activity by reason of the admirable success of the Russians to engage not only in applied research but also in fundamental research. I used to be clear in my mind that there was a distinct difference between the two, but fundamentally the boundaries are blurred. However there is a type of endeavour that can be described as fundamental research.

May I in this connection—and I apologize for the digression—express the hope that in Canada our Canadian colleges and universities in the training of scientists would engage in other co-operative efforts so that we will not turn out soulless investigators, men who know only the laws of things and men who have no appreciation of history, of economics, and indeed, of philosophy—and that takes in a lot of territory; but men who will have some appreciation of the laws of men as distinct from the laws of things.

Now in that regard we in Canada will cooperate to the utmost of our ability. I know there are constitutional problems with respect to education within this federal state; but perhaps out of my background to which I have referred I can say that I will be particularly interested in the production of scientists.

The hon. member from Algoma East (Mr. Pearson) in his speech referred to the NATO committee of three and did not identify himself. I believe it was well known to the house that he was one of the members of that committee of three. The report of that committee of three recommended that there should be cooperation in the field of scientific research. He seemed a little disappointed. But I can assure him that there was established a task force, and that the work that they do or have done has been fundamental and has been very useful in the preparation of an agenda item arising out of the Eisenhower-MacMillan talks. The committee of three also made recommendations on the question of consultation among members of NATO nations or members.

As to NATO the situation has been unhappy in the last three weeks or so. The shipment of arms by the United Kingdom, and the United States to Tunisia has disturbed the French very much. I replied to a question in the house which was addressed to me by the hon. member for Algoma East (Mr. Pearson) as to whether this matter or proposal that is, the sending of arms into Tunisia by the United Kingdom and United States had ever been before the NATO council? My answer was in the negative. The misunderstanding that arose shook the NATO organization.

I think one can say after due consideration that some of these anxieties and misunderstandings between the United Kingdom and the United States on one side and France on the other have been eradicated—I cannot say altogether, but there is promise of understanding in that regard when the heads of governments meet, and the ministers meet in Paris on December 16 to December 18. The machinery is there. There is no need for further machinery of consultation within NATO. It, however, should be used to a greater extent.

I would just like to refer again to our relations with the Soviet Union. I may not have registered on the house as much as I would have liked our own view with respect to those relations, although I did say that I would stress our genuine and sustained interest in the finding of ultimate peaceful solutions to the issues that divide us from the communist world, and also our intense desire to reduce tensions between the west and the U.S.S.R. I further said that no sane person could run—or would run—the risk of shutting any promising door on the possibility of co-existence.

I would not lessen—I would increase—emphasis in that regard, when I think of the alternative, in this nuclear age, to peaceful co-existence. That



alternative, a world war, does not bear rational contemplation. And I would say in this connection, Mr. Chairman and members of the committee, that in fact we have "co-existed" with the Soviet Union for 40 years.

The Soviet Union is our neighbour to the north. The Soviet Union was our ally in a great war to defeat a common enemy. But the amount of co-existence—I am sure you will agree with me, Mr. Chairman and members of the committee—that we have experienced over the last decade has been not only too negative and costly, but it has been too precarious. Far from disagreeing with the Soviet leaders' questions of peaceful co-existence or competitive co-existence—I am not quite clear in my mind as to what "competitive" means—I would go further and say that our aim must be towards a peaceful cooperation to make it possible for us to carry on discussions to the benefit of the whole human race—and I say this from a carefully prepared text—to advance by painstaking negotiations to eliminate dangerous points of friction and to resolve complex and potentially explosive problems.

The hon. member for Algoma East (Mr. Pearson) once said—and I am quoting—"more important even than NATO is the necessity for negotiation of the problems which divide the two worlds, as and when opportunity affords or may be created for that purpose". With that remark I heartily agree. By all means, let us negotiate with the Soviet Union at any or all levels from which positive contributions towards our ultimate goal could conceivably emerge.

We have shown that we are not unwilling to do so. We have been negotiating long and arduously with the Soviet Union on the disarmament question, and a discourse on that was given to the house by myself and the hon. member for Oxford (Mr. Nesbitt). We have also shown in Canada our effort to meet within reason the Soviet desire to expand the disarmament commission. I will not say any more in that context.

The hon. member for Rosetown-Biggart (Mr. Coldwell) referred in last week's debate to Mr. Khrushchev's proposal for "a new high level conference with representatives of capitalist states to ban war, to end the armament race" and, he continues to say, "to achieve co-existence and the settlement of ideological differences through peaceful competition for the development of economics, culture and the better satisfaction of man's needs"

The hon. member could not have failed to observe that, in his reply to a question on this subject quoted by a Toronto newspaper man, Mr. Khrushchev very sensibly stressed the need of adequate preparation to ensure the effectiveness of such a meeting and, if it were mutually agreed, the preparation and agenda would ensure against the possibility of the west falling into what I called in my speech a propaganda trap. I hope the hon. member agrees with me that there is a limit to what the Canadian government could do, because this would be a summit conference; but I assure you it is not the view of the Canadian government that we always should say "no" or "nyet" to Russia's proposals for negotiation and consultation.

I do say, however, that it would be a mistake—and that is an understatement—for us, until such a meeting could be held, and beneficial results which we pray for could accrue through such a meeting, that we should let down our guard, that we should fail to keep up the payment of the premiums on a defence insurance policy that has been issued by NATO, as one of the organizations to which we belong.

In the meantime there is much that we can do to further understanding in the human and cultural fields. I as a university man have seen an increase in intercommunication in the cultural and in the scientific field. It comes to my mind that the hon. member for Rosetown-Biggart (Mr. Coldwell) referred to the Soviet hockey team coming to Canada, suggesting that it was more

than a sporting event, that it would promote relations in a small field. Perhaps this is a small part of our international communication, but nevertheless in this context every drop helps.

To an increasing degree we have had exchange of visitors from Soviet Russia in the scientific field. In August we had fifty Russians at the University of Toronto attending a meeting of the International Union of Geodesy and Geophysics. We have had an exchange of artists between the two countries, and at the present moment there is a trade mission from the U.S.S.R. in Canada. We hope that there could be a reciprocal visit by a Canadian trade mission to the Soviet Union.

We must endeavour on all fronts to increase the communications between our two nations. It has been suggested that the time has now come to take a new look in respect of our relations with the Soviet Union—I am not pleading for delay in this regard subject to the qualifications I made in the House with respect to keeping up our own defence. I add this, that recent advances in science have presented us with an entirely new situation. An adjustment to such a drastic transformation of the assumptions on which defence and foreign policy were based cannot be expected to take place overnight and we will be obliged to reassess the situation, militarily and politically, and this should be the predominant aim of our foreign policy. In taking this position Canada's views would not be identical with some of the attitudes we have found in other countries which belong to NATO—a complete denial as soon as a proposal is put forward.

I would mention another heading that I think would be useful to the committee, and that is the provision of economic aid to underdeveloped countries. This has been before the United Nations for as long as eight years—quite a number of years, a proposal that came from good friends of ours—a group including The Netherlands and some Latin American countries, who suggested there should be established under the United Nations a capital fund for the aid of underdeveloped countries. It did not appear that the United Kingdom had much money to contribute to it, and both the United States and the United Kingdom have opposed establishing this organization, SUNFED, the Special United Nations Fund for Economic Development. They have opposed that proposal in meetings, of what is called ECOSOC, one of the organs of the United Nations; and the United States said that they would not contribute to such a fund or such an agency if it were established. Canada has taken the view, without U.S. and U.K. participation, that the financial support of such an undertaking would be so scanty that it would not be particularly useful.

The United States has come up with a proposal now—they have a resolution before the second committee of the General Assembly—that would provide for additional contributions for economic development in underdeveloped countries by increasing the contributions under the Technical Assistance programme.

The Colombo plan provides for capital assistance in South and Southeast Asia, but this proposal, by increasing the contributions under the technical assistance program would encompass not only the countries within the Colombo pan but throughout the whole world; and to say that Canada has been opposed to this type of program because it voted against the SUNFED proposal for the reasons I have endeavoured to express to you or to give to you, is too simple an explanation.

I will reiterate that it was felt fruitless and impracticable to establish such a fund as SUNFED without the support of the major countries. At this very moment I expect this matter is being debated in the second committee. Canada's views in this respect will be expressed by the Hon. Mrs. Fairclough who will make a statement in that committee on the point. I know she will refer to these different proposals and express the hope that there can be

reconciliation of these views. Mrs. Fairclough has been authorized by the government to state that if agreement can be found on the merits of the United States proposal which can be broadly supported, and if suitable organizational arrangements are eventually made, then the Canadian government will give sympathetic consideration to the matter of seeking parliamentary approval for an appropriate contribution.

Negotiations are going on. I am not in a position to inform the committee of the nature of those negotiations. However, we are indeed working toward the development of the program for greater economic assistance.

May I interpolate here that the technical assistance program has never been used for capital development in these underdeveloped countries.

I would like now to refer to another point, that of representation abroad. I spoke of our participation in the international commissions in Viet-Nam, Laos and Cambodia. I answered the hon. member for Essex East (Mr. Martin) in that context that we feel now we can withdraw our expenditures in money and men from Cambodia; but we have not quite been able to persuade our Indian and Polish friends that the time has arrived to do that. However, there is a task in Laos and Viet-Nam in which our Canadian representatives on those international commissions may continue to engage.

The Canadian government has decided to establish a high commissioner's office in Malaya, a new nation among the commonwealth nations, and the latest member to be accorded membership in the United Nations. The representatives of Malaya have made a remarkably fine impression in the United Nations. Within the next few months it is hoped, as I said a moment ago, that we will have a high commissioner at Kuala Lumpur the capital of Malaya.

Those are the headings to which I desired to refer. I now would like to speak on the estimates. I have found that it would be possible to reduce by an amount of \$366,500 the amount of appropriations requested in the estimates submitted to the house last spring. Of this amount, \$10,000 less than the total can be deducted from vote 97, the vote for capital expenditures at posts abroad. That vote included approximately \$1,250,000 for the acquisition, construction and improvement of posts, of which \$356,500 will not be required for this fiscal year 1957-1958.

I also find it will be possible to reduce by \$5,000 each the amount shown in vote 104 to provide payment of fellowships and scholarships; also vote 108 to provide for special administration expenses at NATO.

I recommend to this committee that the votes be reduced by these amounts. When I was faced with the proposal to cut even \$5,000 from the scholarship fund I was alarmed, but I found that this amount put in the estimates first by the then Secretary of State for External Affairs was an approximation and it has been found that travel expenditures, which vary according to the marital status of the person to whom the scholarship is awarded, have been less than was anticipated.

Vote 108 for administrative assistance to NATO allows for salaries and allowances to persons loaned to NATO which are not recoverable from NATO. It has appeared that the persons loaned to NATO have been of a grade lower than that anticipated.

Thank you, Mr. Chairman.

Mr. COLDWELL: As you know I am very interested in the SUNFED proposal. You say there is a proposal made by the United States in respect of technical aid.

Mr. SMITH (*Hastings-Frontenac*): Yes.

Mr. COLDWELL: What is that proposal? Would you tell us briefly? Mr. Leger may have a statement on it.



Mr. SMITH (*Hastings-Frontenac*): I have the resolution here. This could be circulated. Expanded technical assistance program.

Mr. COLDWELL: That is the one.

Mr. SMITH (*Hastings-Frontenac*): Doctor Keenleyside is the head of it. It includes an attempt to increase our financial assistance under this programme for projects of types not now undertaken by it. There should be established within the program a special projects fund which would be used to enlarge the scope of the program in order to permit systematic and sustained assistance in certain basic fields.

Mr. COLDWELL: To what extent would that expansion be; how many dollars?

Mr. SMITH (*Hastings-Frontenac*): I know I will be corrected by the Under-Secretary, but there is a figure which lingers with me. I believe there was reference in the house to the effect that the Americans might increase, ultimately, their contribution from \$30 million to \$100 million.

Mr. COLDWELL: The Americans would do that?

Mr. SMITH (*Hastings-Frontenac*): Yes.

Mr. COLDWELL: What would the total fund be if Canada contributed in proportion to the contribution by the United States, and other nations in the same way?—A. Have you any idea?

Mr. SMITH (*Hastings-Frontenac*): That is one of the matters under discussion.

Mr. COLDWELL: Would it approximate the \$250 million for SUNFED?

Mr. SMITH (*Hastings-Frontenac*): I cannot answer that. We will find that out.

Mr. COLDWELL: Will that be available for capital expansion as well as the type of thing that the technical aid organization is doing now?

Mr. SMITH (*Hastings-Frontenac*): Yes. It trains personnel essentially. That would be our desire.

Mr. COLDWELL: It can be used for capital expansion?

Mr. SMITH (*Hastings-Frontenac*): Yes.

Mr. COLDWELL: What is the total of the technical aid this year for the United Nations? Is it \$30 million.

Mr. SMITH (*Hastings-Frontenac*): Our contribution is \$2 million.

Mr. COLDWELL: Our contribution is about \$2 million?

Mr. SMITH (*Hastings-Frontenac*): Yes, in the estimate I have brought before you.

Mr. COLDWELL: \$2 million?

Mr. SMITH (*Hastings-Frontenac*): Yes.

Mr. COLDWELL: What will be the total available for the technical aid branch?

Mr. SMITH (*Hastings-Frontenac*): Do you mean the total UN contribution?

Mr. COLDWELL: Yes.

Mr. SMITH (*Hastings-Frontenac*): We will obtain that information for you.

Mr. COLDWELL: What I am trying to get at is that this capital expansion program for underdeveloped countries is very important and that the proposal of \$250 million by Holland and the other countries does not seem sufficient to meet the needs of those countries. I was wondering what amount would be allotted under this expansion of technical aid for capital projects to bring it up anywhere near the \$250 million which has been suggested. It does not seem sufficient.

Mr. SMITH (*Hastings-Frontenac*): For this year, 1957-1958, the pledges amounted to \$28,756,000.

Mr. COLDWELL: \$28,750,000 is the total amount?

Mr. SMITH (*Hastings-Frontenac*): I think that is the total on expanded technical aid.

Mr. COLDWELL: And are the payments made?

Mr. SMITH (*Hastings-Frontenac*): I am advised that even Canada has not paid. It has been pledged. It is a matter of the United Nations fiscal year, which is a calendar year. It is just a matter of bookkeeping.

Mr. COLDWELL: Could we have a statement on this? Perhaps that would be better than trying to get the answers now.

Mr. SMITH (*Hastings-Frontenac*): Quite.

Mr. COLDWELL: What I am trying to get at is, to what extent is the capital aid expanded, or the capital projects expanded? With that information we can see how this will compare with that which was made by Holland, and the others. It has never been adequate to meet the needs of the underdeveloped countries.

Mr. JONES: It is my impression that there had been no suggestion that the amount of \$250 million, connected with the SUNFED proposal, would be in any way considered to be adequate. It was just a figure that was set as sort of a step in the right direction. Obviously, \$250 million for the capital development program for underdeveloped nations over the entire world is a drop in the bucket.

Mr. SMITH (*Hastings-Frontenac*): I have not learned that they have set any figure. I was going to speak further about this resolution. Further along this United States proposal reads as follows:

Considers that, while fullest possible use should be made of the existing machinery of the Expanded Technical Assistance Program, the Special Projects Fund may require new administrative and operational machinery;

This is the proposal to the committee,

Decides to establish a Preparatory Committee composed of representatives of governments...

That committee would look into this and report back at the next session. That will come up in the discussions.

Mr. Low: I wonder if it would be possible for those who ask questions, and for those who answer, to raise their voices just a little bit? We are quite a distance away, and it is hard for us to hear if you carry on little private discussions.

Mr. COLDWELL: The reason I asked the question was; after the announcement made by the minister in regard to technical aid, and I agree that \$250 million is not sufficient, it struck me that the expansion of technical aid would be still more inadequate than the adoption of the SUNFED idea. That is why I wanted to get a statement.

Mr. SMITH (*Hastings-Frontenac*): Coming back to this point, Mr. Chairman, I say very frankly that we felt if the United States would not support SUNFED, and they said they would not support it, we would see what we could do about other types of aid. I have not discussed this with the members of the department, and I am wondering what Mr. Pearson would say in this context, the setting up of another organization within the United Nations, to my mind, is undesirable. The place is clubbed to death, and I have in mind the members of the staff of the Department of External Affairs who go down there to attend so many bodies, and so forth, and so on. We wondered if, in some way, the existing machinery, such as the now expanded technical program, could be used.

Mr. HERRIDGE: Mr. Chairman, first of all I want to congratulate you on becoming the white-haired boy.

I wanted to ask the Secretary of State for External Affairs this question: since he has assumed office, has he been able to discover any evidence of waste or extravagance in our overseas departments, such as in respect to buildings, furnishings, and equipment, and in respect to moving allowances, and allowances to our staff overseas?

Mr. SMITH (*Hastings-Frontenac*): None that I have discovered yet.

Mr. KNOWLES (*Winnipeg-North Centre*): Mr. Chairman, could we have another question or two about the underdeveloped item?

Do I understand, Dr. Smith, that you are suggesting we accept support of this expanded capital assistance program in lieu of Canadian support for SUNFED? In view of the fact that one seems to be a fund of the order of \$28 million, and the other a fund of the order of \$250 million, is there not quite a difference, both as to amount and to the ways in which the money would be spent?

Mr. SMITH (*Hastings-Frontenac*): In the resolution put forward for SUNFED there was no mention of any amount. I do not know where that \$250 million figure came from. In the SUNFED resolution, sponsored amongst others by the Netherlands and the Latin American countries, there is a proposal that there should be established a preparatory commission. All these matters would be considered by that commission, and they would report back to the next meeting of the general assembly.

Mr. KNOWLES (*Winnipeg-North Centre*): Is it not also true, Dr. Smith, that one of the intentions of the backers of SUNFED is to get the assistance to underdeveloped countries clearly on an international basis so that no national economic interests would be involved in regard to these handouts, if they could be called that. To what extent does the new United States proposal meet that objective?

Mr. SMITH (*Hastings-Frontenac*): There was the figure of \$30 million to \$100 million mentioned in the House of Commons, to start this off. I am not clear as to the validity of that statement. Of this, I am sure, Mr. Chairman, that the United States have been intimating that eventually their contribution to this proposal, that they are setting forth, will be comparable to that which might have been assessed if the SUNFED resolution were adopted.

Mr. ARGUE: Is that also the position of Canada?

Mr. SMITH (*Hastings-Frontenac*): I cannot give you any exact figure on that. I cannot make any promise. All I can say is this: we would support the United States proposal that there should be a commission. We expressed the hope that Canada should be a member of that preparatory commission, and we have already intimated that we will support a contribution on that basis. I am unable to say what the amount of the contribution would be.

Mr. KNOWLES (*Winnipeg-North Centre*): I wonder if at some future meeting we could have a fully prepared statement on these various forms of assistance; the Colombo plan, the United Nations technical assistance, both the expanded, and before it was expanded, SUNFED, and so on? There are different principles involved, and different ways of doing things, and I think it would be helpful to us if we had a statement on it.

Mr. SMITH (*Hastings-Frontenac*): That would be helpful to me also, Mr. Chairman.

Mr. PEARSON: May I preface my remarks by saying that I have exchanged my status of an invited guest for one of full membership in the committee.



The question I want to ask, at this moment, is one of clarification in regard to something the minister said. I was not quite sure whether I understood him correctly, and I think it is of some importance. If I understood him correctly, when he was talking about negotiation with the SUNFED union, and the desirability of doing everything we could in that respect, and I think he was at that moment discussing it in the context of NATO, the minister said that Canada's views, regarding a negotiation of this kind, were not quite the same as other members of NATO, and that certain proposals might meet with rejection. I think that was the support of what he said. I wonder if he would expand on that a little, because surely it is very important, if there is a division of that kind in NATO, in regard to negotiations of the type that he mentioned.

Mr. SMITH (*Hastings-Frontenac*): Mr. Chairman, I have nothing in this context to go on except press reports. Since I have become a member of the government, and as a reader of these reports in earlier years, I say very frankly that I am distressed by the reception of a proposal for a high level conference, that came from unidentified sources and unreliable spokesmen at Washington. I must make this very clear, I have never seen anything official in this context, in the last two months. I am greatly concerned when a proposal comes forward, and then the following morning a press despatch appears, from some one at Washington, to the effect it is undesirable and cannot be thought of. Does that answer the question, Mr. Chairman?

Mr. PEARSON: Thank you.

Mr. STICK: I think you had better distribute the opportunity for questioning a little more evenly. Some persons have been asking most of the questions and others have not had a chance. Mr. Chairman, I think you had better give notice to other members of this committee.

Some Hon. MEMBERS: Go ahead now.

Mr. STICK: May I ask a question now, or shall I wait my turn?

Some Hon. MEMBERS: Do not be too "sticky."

Mr. STICK: I have a couple of questions to ask if you will allow me to ask them now.

Some Hon. MEMBERS: Go ahead.

Mr. STICK: I understand that this NATO conference, that is coming up very shortly, is a very important conference. We do not know what the agenda is yet, evidently it has not been drawn up. I take it from the minister's earlier statement that the military assistance aspect will probably be discussed. I would like to ask if article 2, the economic co-operation, could be discussed. Have you any idea, Mr. Smith, as to whether that subject will come up?

Mr. SMITH (*Hastings-Frontenac*): I have not seen anything, I must confess, in that context. Having regard to economic cooperation, as we think of it in the general sense, undoubtedly it will come up.

There will be a discussion of what I call "rationalization" of the production of nuclear weapons.

Mr. STICK: I was referring to article II of the text, and it does not limit it to mutual discussion.

Then, there is another question in this connection: seeing that this is going to be more of a military conference, I would point out that it has been reported in the press—and I have not got it from London—but it has been reported from officials, that the United Kingdom is reducing its forces in Europe by some 15,000 men. What is Canada's position in this matter? Are we contemplating any reduction in forces?

Mr. SMITH (*Hastings-Frontenac*): I was in a discussion when General Norstad was here, and we intimated to him that we would maintain our contribution on the military side.

Mr. STICK: There is no sign of a reduction of our forces to date?

Mr. SMITH (*Hastings-Frontenac*): No. In so far as NATO is concerned, I can speak of that.

Mr. STICK: One more question—

Mr. SMITH (*Hastings-Frontenac*): Would you permit me to correct an impression that evidently I have left this morning, that I was talking only about the military aspect or facets of NATO. That is true; but I would refer you to my speech in the House of Commons where I did endeavour to spend some time on the political relations. I can only commend that, and I trust it will carry some meaning.

Mr. STICK: There has been some discussion lately of the need for a summit conference, as Sir Winston Churchill called it, among the great powers to ease the tension existing at the present time. I do not know whether this is a fair question to ask, and whether indeed you can answer it—you may or you may not: what is Canada's position regarding a summit conference?

Mr. SMITH (*Hastings-Frontenac*): With Russia?

Mr. STICK: With Russia—

Mr. SMITH (*Hastings-Frontenac*): The proposal, as I said a moment ago, never came forward to the Canadian government. I suppose the Russians thought we would not be invited anyway; they were talking about a conference with Mr. Eisenhower. Whether they were contemplating France and the United Kingdom, I do not know. We have seen press despatches. I referred to one, an interview that appeared in the *Toronto Telegram*, and another, a statement that Mr. Khrushchev gave. I forget the particular time of it, but it was about two weeks ago. With our stature as a middle power, I would not dare expect hope that we would be invited to such a conference; when the Russians talk about a summit conference they are thinking of the major powers.

Mr. STICK: Would that question come up at this meeting in NATO, do you think?

Mr. SMITH (*Hastings-Frontenac*): I doubt it; nothing I have seen yet would indicate that it would.

Mr. CARDIN: Mr. Chairman, in order to clarify some points in my own mind, I wonder whether the Secretary of State for External Affairs will tell the committee what relationship there is, if any, between Canada's participation or membership in NATO and the joint air defence program with the United States.

Mr. SMITH (*Hastings-Frontenac*): I am unable to answer that question.

Mr. KNOWLES (*Winnipeg North Centre*): From whom can we get the answer?

Mr. SMITH (*Hastings-Frontenac*): In this context, I would be prepared to make a statement about NORAD.

There has been tabled in the house a copy of an order in council bearing date July 31, 1957, which provided for the appointment of Air Marshal Slemmon to be Deputy Commander-in-Chief of the Canadian-United States air defence command. No doubt you, sir, and members of the committee, have seen the copy of that order in council.

The Prime Minister made a statement in the house with respect to NORAD, and he stated at that time that this question would be considered further in the discussion of the estimates of the Department of National Defence. I think it was on November 4 that Mr. Pearkes, Minister of National Defence, also made that statement; but I am not sure of the date of November 4.

So far as this department is concerned—and I say this very emphatically—so far as this department is concerned, we have not been brought into this picture whatever. This has been a discussion on a military basis. This department deals with the political aspect of it.

It was also stated—and I think this is the date I have in mind—on November 4 by the Minister of National Defence, in the House of Commons, that after there had been an exchange of communications at the military level there would be prepared and there would be discussed with the United States the preparation of notes that would be exchanged in this context.

Mr. COLDWELL: Is not this, though, a matter of external affairs?

Mr. STICK: This is a Canadian question; it is not a military question.

Mr. SMITH (*Hastings-Frontenac*): This department knows nothing more than that; and when these military communications have been digested, we are ready to help in the preparation of those notes, and to provide for their exchange through diplomatic agencies, diplomatic media.

Whether the exchange of notes will be tabled or not will be subject to security. I cannot at the moment commit the government in this regard.

Mr. KNOWLES (*Winnipeg North Centre*): Is it possible for us to have military agreement with another country without diplomatic arrangements?

The CHAIRMAN: Mr. Pearson has the floor.

Mr. PEARSON: Along the lines of that question, it seems to me quite unusual that in a matter of this kind, which has political as well as military implications, there should not have been interdepartmental consultation, as there was previously, and in which the Department of External Affairs should participate.

It also seems to me unusual that the department should have nothing to do with this aspect of the question—in view of the statement by the Minister of National Defence that the command of NORAD has been set up as a result of an interim agreement between the two countries, and that a formal intergovernmental agreement is now being negotiated.

Therefore, I am surprised that the Department of External Affairs has not been concerned, if I understood the minister correctly, with that interim agreement between two countries covering a matter which has political as well as military implications.

Mr. SMITH (*Hastings-Frontenac*): Well, I would offer this, Mr. Chairman, that it has been said in the house and it has long been realized that the air defence of North America has to be considered as a single problem.

For a time, even with the rapid advance in weapon technology, this single problem could be dealt with by coordinated Canadian-United States plans. As the hon. member for Algoma East knows, within the past two years the advent of high-yield nuclear weapons and rapid improvement of delivery systems made essential a more authoritative control of all North American weapons which profitably could be employed against an attack of the most advanced order.

It rapidly became evident to authorities at the highest level in Ottawa and Washington that in order to provide the most effective air defence of North America, the operational control of the air defence forces of Canada and of the United States should be integrated under a single command.

The principle of effecting collective security through the medium of a single chain of operational control was well established in the NATO organization where, for example SACEUR has operational control over all assigned forces. It became equally important that this same principle should apply to the direction of the air defence of North America.



Having reached this decision in principle, it remained for the two governments to decide how best to implement the principle. There were no easy precedents in Canada-United States experience for such an integrated command in peace time.

It was decided by the authorities of the two countries to establish the command, NORAD, on an interim basis and to have the responsible officers of that command make suggestions to the two governments as to the organizational requirements necessary to give full effect to the principle already approved by the two governments.

That process is now in train. The recommendations of NORAD, which is now staffed in part by Canadian officers, have been received and are under study by the two national authorities. Both governments are agreed that when agreed terms of reference have been arrived at, exchange of notes between the two governments will be completed. I have no doubt that if security permits, this agreement will be tabled eventually in the house for all members to see.

The choice was offered us of either meeting this urgent requirement by the means which we have adopted or by getting specific agreement on details prior to any further step toward integration. The government thought it best that we should proceed in the manner outlined above, that is to say, establish the command on an interim basis and benefit from the advice of those senior officers who will have the task of implementing this essential principle before final intergovernmental arrangements are completed.

And I say again, Mr. Chairman, that these communications have not come through—they are at the military level—they have not come through this department, and they are now being digested. I am speaking of the recommendations that come from the joint command.

I doubt very much, although I have not looked it up, whether this committee on external affairs would have authority to bring in a witness from the Department of National Defence. That properly should come up in the consideration of those estimates.

Mr. COLDWELL: I was not thinking of that. You referred to Canada, and the arrangements made at the time of the formation of NATO. I understand that NATO was set up with the political control of NATO forces and that the Department of External Affairs conducted the negotiations. In this case the External Affairs Department seemed to be entirely out of the picture yet it involved diplomatic relationships and political relationships of a very high order.

Mr. SMITH (*Hastings-Frontenac*): I referred to NATO in this statement just as an example of integration.

Mr. PEARSON: The reference to NATO was a very interesting and important one because a reference of that kind was made in the House of Commons by the Minister of National Defence to the effect that these arrangements are being worked out in a way similar to those which have been previously worked out in NATO for European defence. So far as I am concerned I most heartily approve of that form of collective defence because I think it is the only way in which it can be done effectively, as an element of national defence.

But as mentioned by the minister, European arrangements and SACEUR seem to me to emphasize that this is the way it should probably be done in regard to North American defence, because SACEUR is a NATO command which was set up by the NATO organization which is a political organization. SACEUR is responsible to a committee of governments of which Canada is one, and when we delegated the power, or our authority to NATO in that regard, to send troops to Europe we did it having in mind that NATO council would have control over this matter.

As I understand NORAD, the purposes of the organization of which I am not criticizing—NORAD was not established that way. NORAD is not a NATO command, and NORAD is not responsible in any way to NATO.

I was filled with surprise and somewhat confused at this interim arrangement under which presumably the Canadian deputy commander has a good deal of power, because he is the active commander when the deputy commander is not present, and the fact that this interim arrangement was concluded without participation of the Department of External Affairs, because as we were told in the House of Commons it was an arrangement agreed to by the cabinet, it was a cabinet decision. Therefore while military and defence planning undoubtedly are matters between the defence departments of the two countries, the political agreement is essential before his defence planning can become effective. Surely that is a matter not for national defence but for external affairs and for the government as a whole. That is the source of my confusion.

Mr. SMITH (*Hastings-Frontenac*): I reiterate what I endeavoured to say in the statement that I read a few moments ago: that it was a decision whether we would have "a priori", an agreement, an exchange of notes and an agreement with the United States to anticipate all the details immediately, or whether to establish it on an interim basis and have a response necessary to that command among the two governments as to the organizational requirement.

The second one which I just gave to you was the procedure that was adopted. With respect to NATO I can inform the committee, Mr. Chairman, that NATO was informed by NORAD of the appointment of Air Marshal Slemon, and NATO will be informed of the terms of reference when they are approved.

Mr. STICK: I think there is a principle involved here, and I think the confusion which arises is on the question of how far the military goes and how far the political goes. I speak of NATO now, and I think it applies to the North American command also.

General Norstad the commander in chief of NATO was specifically asked the question: "is this a military decision or is it a political one as to who should command whom, and on what authority?"

His definite answer was that it was a political decision. I think we are in the same position as far as North American defence is concerned as NATO was. And I think that if we get this fact clearly in mind, as to which is political and which is military, we will have a clearer understanding as to where we stand. General Norstad made that statement in answer to that question.

I am not against coordination at all. I do not care who commands whom so long as we have somebody with authority to command. But the authority given to that general or to whomsoever it may be, must come from the political. I think that once we get that point straightened out in our minds, a lot of confusion will disappear.

Mr. SMITH (*Hastings-Frontenac*): To that observation I would reply that when the agreement between the United States and Canada, or an exchange of notes, is being prepared, then it will be taken to the cabinet and I would deem it to be a political decision.

Mr. KNOWLES (*Winnipeg North Centre*): At this moment to whom is NORAD responsible at the political level in the way that SACEUR is responsible to the political council?

Mr. SMITH (*Hastings-Frontenac*): Might I suggest that you raise that question in the other place.

Mr. PEARSON: That question was asked of the general in command of NORAD—General Partridge—by newspaper correspondents some weeks ago

and the reply from this general was that he was responsible to the President of the United States and the government of the United States and that he got his authority from that government.

That immediately provoked two questions: if he were absent from duty, would the Canadian deputy commander therefore be in charge, and would he get his authority from the same source? And secondly, when the American commander is in charge, does he get his authority because this is a unified command solely from the United States government or from the United States and Canadian governments? And that is a purely political matter.

The CHAIRMAN: Mr. Jones has a question along the same line, I think.

Mr. JONES: Yes. I want to make this observation: it would seem to me in connection with this that the development of NATO resulted from the signing of the NATO treaty and that the situation then was entirely different from that with which we are faced this year. Military and strategic forces and Russia's ability to deliver have been speeded up immensely since that time, and the situation which exists or which existed this summer, and the anxiety which exists in greater severity is their ability to make the delivery of longer ranged missiles. This situation I think can be distinguished definitely from the situation which allowed political negotiations to take place. Therefore an emergency type of arrangement had to be made.

Mr. STICK: I think there should be a speeding up. I am concerned with this because I come from Newfoundland where we have American bases, and where the Americans have spent hundreds of millions of dollars, and where they have 99-year leases of those bases.

Mr. SMITH (*Hastings-Frontenac*): Those leases were made before Newfoundland became a province of Canada.

Mr. STICK: Yes. We have in Newfoundland—and I am not giving away security secrets—elements of the strategic air force of Canada. They are there for our defence as well. We would like to know, because we are going to be in the front line should anything happen. We are there now if anything happens. I have said that before. We would like to know who is going to defend us and who is not going to defend us, and we would like to know who is going to give orders to defend us. Mr. Knowles says that it is a case of working things out but I do not think so. There is an emergency there now and I think it should be cleared up as quickly as possible so that everybody will know where he stands.

Mr. SMITH (*Hastings-Frontenac*): I agree with that.

Mr. COLDWELL: I was going to ask in regard to Mr. Jones' question: is it not a fact that when NATO was established there was the threat of ground troops from Russia at the moment in Europe and we were interested in defence. Therefore NATO was organized. I do not think the threat today is any greater than it was when NATO was set up.

Mr. ARGUE: It is the speed of delivery today which counts.

Mr. SMITH (*Hastings-Frontenac*): I agree with Mr. Stick that this should be settled as soon as possible, and I assure the committee that I will take their comments into consideration when the terms of reference or the exchange of notes are being considered.

The ultimate decision in any joint venture by NORAD is political. I admit that. It is political, that ultimate decision! But I can say further—as to the military relationships—I do not know the details of them—they are under the Department of National Defence, and I say that again. I am not trying to pass the buck to my colleague—but the relationships concerning the commands at the present time are now being worked out—I know that.



Mr. SMITH (*Calgary South*): The minister has really expressed a sentiment I was going to offer. It seems to me certain, Mr. Chairman, that we should first distinguish the relationship between NORAD and NATO. That is imperative. I am quite willing to admit that he would like to see that done. And I think that some of us are endeavouring to place emphasis on the early recognition of the political implications, in a state almost of alarm which I think at this point is unnecessary.

I think it is important, as the minister has just said, that this be determined certainly, but there has been, as has been suggested, some urgency.

I suggest that we have already other examples of coordination between our forces, which perhaps also arise from the exchange of political implications, and that is really another example of co-ordination. It arises between Canada and the United States. As the minister stated we are going to have an exchange of notes and a clear recognition of the political implications involved. I suggest that it was in recognition of the time element that the powers took the appropriate action that they did.

Mr. MACEACHEN: I would like to ask a question based on the reply that Mr. Smith gave to one of the previous questioners in connection with the military or political aspects of the matter. The minister stated, I think, that when an agreement had been reached, or when an exchange of notes had occurred, then it would become a political matter.

What I am interested in knowing is whether the minister can tell us whether the foundations upon which this unified command are now being built are the result of an agreement of an interim nature or an exchange of notes of some kind? Just on what basis has what has happened up to the present time been accomplished?

Mr. SMITH (*Hastings-Frontenac*): The Under Secretary confirmed the view that I was going to express. This was at the technical or military level. I for one would not—and I doubt if any member of the house would—have said we should not have acted at that time in trying to integrate. It has been said in the House by members of this committee that we should endeavour—and there can be no question about that—to integrate common defence in this regard. The communications were at the technical and military level for this interim period, and there has been no exchange in notes at the political level in this context. It has been done through military channels.

I come back to the point I am endeavouring to express, Mr. Chairman, which is this, that we have from the United States the undertaking, and we have given it to them, to draw up notes in this regard in terms of reference. In the consideration and preparation of notes then, I submit, Mr. Chairman, it does become a political question of which this department must be seized.

Mr. KNOWLES (*Winnipeg North Centre*): The minister keeps saying that there has been no exchange at the political level, and yet it has been admitted that this was a cabinet decision so far as Canada was concerned. In other words the Secretary of State for External Affairs—it may have been the present minister or it may have been Mr. Diefenbaker at the time—

Mr. SMITH (*Hastings-Frontenac*): It was in August; I came in in September.

Mr. KNOWLES (*Winnipeg North Centre*): —must have been on that cabinet decision. Now I know that if I am asking for secrets I cannot get, I will not get them; but it seems to me that it is a fair question to ask who was authorized to negotiate even on an interim basis with the United States. What is the opposite number to the Canadian cabinet in the United States? Is it the United States administration headed by the President, or is it just the military side of the United States? We are not criticizing—

Mr. SMITH (*Hastings-Frontenac*): I cannot disclose cabinet decisions, but the only one I know of is this order in council.

Mr. KNOWLES (*Winnipeg North Centre*): I think it should be clear that none of us is criticizing the joint defence arrangements. What we are concerned about, as Mr. Stick says, is the principle, namely that the superiority of the civil authority over the military be as clear as General Norstad insisted it must be so far as SACEUR (Supreme Allied Command—Europe) is concerned. The minister says that his department knows nothing about it, yet in reply to our questions he did seem to have a prepared statement telling us what is going on, and I presume whoever was Secretary of State for External Affairs at the time in the cabinet must have seen whatever interim notes were being exchanged. It seems to me that, in a sense, External Affairs has been in this picture, but what we would like to know—

Mr. SMITH (*Hastings-Frontenac*): I can state definitively that there has been no exchange of notes.

Mr. KNOWLES (*Winnipeg North Centre*): No exchange of notes between External Affairs and the Secretary of State in Washington? Just one point further. Have the exchanges between Canada and the United States been only between the Canadian defence department and the opposite number in the United States; or have they in some way been exchanges between the Canadian government and the United States government?

Mr. SMITH (*Hastings-Frontenac*): I am unable to answer that, though I am speaking from the standpoint of this department.

Mr. JONES: I have a question in connection with a consultation among NATO members which you mentioned in your earlier remarks and you did not elaborate on it at the time. I would be very interested to see encouraged not only consultation on matters of military and political affairs but also in regard to those economic affairs that so directly effect the members of the NATO alliance. It is my hope that when the meeting takes place in Paris, that sort of consultation should be considered.

Mr. HOLOWACH: Mr. Chairman, there are one or two remarks I would like to make and one or two suggestions with respect to the very discussion we are having at this time. At the very outset, I would like to say that I enjoyed the statement which the new Secretary of State for External Affairs made with respect to some of our foreign relations and problems and I would like to say to you, sir, that we as a nation have a great stake in the decisions, and/or activities in this particular field. We wish you well in the performance of your responsibilities and opportunities. The first suggestion I would like to make deals with the proposal which was submitted during the external affairs debate by my colleague the hon. member for Fraser Valley, Mr. Patterson. I was rather disappointed to hear the interpretation and the views of the Secretary of State for External Affairs with respect to the desirability of such a consultative committee. I believe the underlying principle in that proposal was to strengthen parliamentary control and influence with respect to foreign policy.

Now that is a parliamentary right and I think it ought to be encouraged.

Mr. SMITH (*Hastings-Frontenac*): So do I.

Mr. JONES: I can appreciate that we have had opportunities off and on to debate external affairs. There is the opportunity of asking questions before orders of the day but these things in no way detract from the desirability of having such a consultative committee.

Now the second suggestion is this: if it is true that our foreign policy reflects the will of our people, then it seems to me desirable that the practice of inserting into the regular program of the house periodically a debate on external affairs ought to be increased. We had a debate recently in which some

of the members spoke but I know for a fact there were many members who were desirous of expressing their points of view. However by the reason of the limitation of time, were not able to do so. Therefore I certainly believe that we should have the opportunity of debating external affairs made more often for us.

Mr. SMITH (*Hastings-Frontenac*): In that context could I say a word, sir?

Mr. JONES: Certainly.

Mr. SMITH (*Hastings-Frontenac*): There is no difference of opinion between the hon. member for Fraser Valley and myself. We are agreed on the objectives and I say that as a fact. In my earlier statement here today I asked the question whether the present machinery could not be made more effective and accomplish those results without setting up another group. I am not in a position to say whether this committee is or is not being used sufficiently in the views of the hon. member who has just spoken.

Mr. Chairman, surely you must have the right every chairman has to call a meeting of this committee and I think it should be called—and I say this emphatically,—it should be called and set up earlier in the session.

Mr. COLDWELL: Set up and called.

Mr. HOLOWACH: The point I stress is the need of more opportunities for members of the House of Commons to debate external affairs. There is only one way in which the opinions and views of our peoples can be expressed and that is by way of their members in the House of Commons. I feel that in the past we have had too little opportunity to discuss some of these vital issues which face us as a nation. That is the point I wish to stress now with respect to the estimates themselves. There is one thing I would like to have clarification on in order to pass proper judgment on these estimates. Could the minister tell us what process is involved in computing these figures? Are these figures which we have before us the maximum or the minimum estimates required by the various—

Mr. SMITH (*Hastings-Frontenac*): Would you permit the Under Secretary to answer.

Mr. LEGER: I think it would be better if that question were answered when we get into the administration details of the budget on Thursday or Friday. I would like to prepare a statement.

Mr. HOLOWACH: No one wishes to detract from the prestige of the External Affairs Department but it seems to me there is a very strong opinion in the nation that we should squeeze all the water we can out of some of our programs.

Mr. SMITH (*Hastings-Frontenac*): That would not accomplish some of the objectives expressed here today.

Mr. COLDWELL: Are we to go away with the impression that we have handed over our defence completely to the military and that there is no political control at the moment over these arrangements.

Mr. SMITH (*Hastings-Frontenac*): No, sir.

Mr. COLDWELL: Is that the impression we are to go away with?

Mr. SMITH (*Hastings-Frontenac*): No.

Mr. COLDWELL: That is the impression I got.

Mr. SMITH (*Hastings-Frontenac*): No, it is not.

Mr. KNOWLES (*Winnipeg North Centre*): I wonder if it is possible for Mr. Smith to answer at least one of the questions Mr. Pearson put to him,



and this ties in with this question as to the political control of this moment. Suppose General Partridge is away and Air Marshal Slemon has to make a decision at this moment, whom does he telephone?

Mr. SMITH (*Hastings-Frontenac*): I am unable to answer that question.

Mr. KNOWLES (*Winnipeg North Centre*): Then Mr. Coldwell's apprehension is, I think, well founded.

Mr. PATTERSON: I wonder if Air Marshal Slemon knows whom he is to contact when the situation arises in which he must take action?

Mr. PEARSON: Would it be any help to the minister if I, or some of the other members of the committee, were to indicate some of the questions which we might wish to ask the minister on Thursday, in order to give him an opportunity to discuss these matters with the officials of his department?

Mr. SMITH (*Hastings-Frontenac*): I would appreciate the courtesy.

Mr. PEARSON: If that is agreeable, I would like to mention one or two things which I hope to bring up, or which some of my colleagues might bring up, during the next meeting.

The CHAIRMAN: I think that would be very helpful, and we appreciate it.

Mr. PEARSON: I would like to ask some more questions about the NATO council meeting. I notice the minister said one of the main purposes of that meeting would be to increase the deterrent. I would like to follow that up.

Then I would like to bring up the question of disarmament at the United Nations. There are one or two questions I would like to ask about the committee which has been set up. Then I would like to ask some questions about exchange of information on atomic energy, and particularly the work of the new United Nations atomic energy agency in Vienna.

Mr. SMITH (*Hastings-Frontenac*): What is the committee?

Mr. PEARSON: It is the United Nations atomic energy agency which was established about a year ago.

Mr. SMITH (*Hastings-Frontenac*): Would you name the committee?

Mr. PEARSON: The new disarmament commission of twenty-five.

Mr. SMITH (*Hastings-Frontenac*): Thank you.

Mr. PEARSON: Then I would like to ask you some questions about UNEF and middle east matters, especially the arrangements for the sharing of the cost of UNEF, and the clearance of the Suez Canal. Perhaps these questions will be sufficient for now.

Mr. SMITH (*Hastings-Frontenac*): They will hold me for a while.

Mr. HERRIDGE: I would like to ask what procedure is followed in the event the commander of NORAD wishes to release a press release which concerns matters in which Canada is involved.

Mr. KNOWLES (*Winnipeg North Centre*): May I give notice of a question concerning a statement made a day or two ago by Mr. Walter Nash, the prime minister designate of New Zealand, to the effect that that country would be urging at the United Nations the banning of nuclear tests. My question would be a request for comment by the Canadian government on that matter.

Mr. STICK: I would like to express the appreciation of the committee for the frank answering of our questions by the minister. I think we will get along very well together.

Mr. COLDWELL: I wish to ask a question on technical aid.

Mr. SMITH (*Hastings-Frontenac*): In the context of capital aid I would like to have the opportunity to circulate a copy of the statement Mrs. Fairclough is making this morning on SUNFED.

The CHAIRMAN: Before we adjourn I think we should thank Mr. Smith for his frank answers and for his attendance here this morning. He has assured me he will appear again on Thursday at 3:00 p.m. I also wish to thank you, gentlemen, for the good order you have kept this morning. It is a little difficult to hear in all corners of the room. There were one or two speakers whom I believe the reporters found difficult to hear.













HOUSE OF COMMONS

First Session—Twenty-third Parliament

1957

Government  
Publications

STANDING COMMITTEE

ON

# EXTERNAL AFFAIRS

*Chairman:* H. O. WHITE, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

Main Estimates of the Department of External Affairs  
1957-58

DECEMBER 5, 1957

Statement by the Honourable Sidney E. Smith, Secretary of State for  
External Affairs.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1957.

## STANDING COMMITTEE ON EXTERNAL AFFAIRS

*Chairman:* H. O. WHITE, Esq.,

and Messrs.

Aitken (Miss),  
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Best,  
Breton,  
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Cardin,  
Coldwell,  
Crestohl,  
Fairfield,  
Garland,  
Gauthier  
(*Lake St. John*),

Haidasz,  
Henderson,  
Herridge,  
Holowach,  
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Jung,  
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Macquarrie,  
Martin (*Essex East*),  
McCleave,  
McGee,  
Montgomery,  
Patterson,  
Pearson,  
Pratt,  
Rea,  
Smith (*Calgary South*),  
Stick,  
Stuart (*Charlotte*),  
White—35.

J. E. O'Connor,  
*Clerk of the Committee.*

ORDER OF REFERENCE

THURSDAY, December 5, 1957

*Ordered*,—That the name of Mr. Montgomery be substituted for that of Mr. Lennard; and

That the name of Mr. McGee be substituted for that of Mr. Nesbitt; and

That the name of Mr. Best be substituted for that of Mr. Van Horne on the said Committee.

Attest.

LEON J. RAYMOND,  
*Clerk of the House.*





## MINUTES OF PROCEEDINGS

THURSDAY December 5, 1957.

The Standing Committee on External Affairs met at 3.00 p.m. this day. The Chairman, Mr. H. O. White, presided.

*Members present:* Miss Aitken, Messrs. Argue, Best, Cardin, Fairfield, Gauthier (*Lake St. John*), Haidasz, Herridge, Holowach, Jones, Jung, Knowles (*Winnipeg North Centre*), Kucherepa, Low, MacEachen, Macnaughton, Macquarrie, Montgomery, McCleave, McGee, Patterson, Pearson, Pratt, Smith (*Calgary South*), Stick, Stuart (*Charlotte*), and White—27.

*In attendance:* The Honourable Sidney E. Smith, Secretary of State for External Affairs; Messrs. Jules Leger, Under-Secretary of State for External Affairs; W. D. Matthews, Associate Under-Secretary; H. F. Clark, Director, Finance Division; H. B. Robinson, Special Assistant to the Secretary of State for External Affairs; W. T. Delworth, Executive Assistant to the Secretary of State for External Affairs; J. J. McCardle, Defence Liaison (1) Division; R. Grey, Economic Division.

The Chairman called the meeting to order.

By leave of the Committee it was ordered that the following documents, copies of which have been distributed to members of the Committee, be printed as appendices to the record of this day's proceedings:

1. Department of External Affairs Main Estimates 1957-58—Informational Material (See Appendices A, B, C, D, E and F).
2. Statement by the Honourable Ellen Fairclough on the Economic Development of Underdeveloped Countries. (See Appendix G).

The Chairman announced that on continued consideration of Item 94, Mr. Smith would answer several questions asked of him at the last meeting held Tuesday, December 3.

In the course of his statement, Mr. Smith made reference to and was questioned regarding the following subjects:

1. NORAD (North American Air Defence).
2. NATO (North Atlantic Treaty Organization).
3. UNEF (United Nations Emergency Force)—Suez Canal Clearance.
4. Relations with the U.S.S.R.
5. Atomic Energy.

Copies of "Canada and the United Nations 1956-57" were distributed to members of the Committee.

The Chairman announced that Mr. Smith would be unable to attend the Committee's meeting scheduled for Friday, December 6, and that Mr. Leger, Under-Secretary of State for External Affairs and officers of the Department will be present.

Mr. Smith's questioning continuing, the Committee adjourned at 5.20 p.m. to meet again at 10.00 a.m. Friday, December 6.

J. E. O'Connor,  
*Clerk of the Committee.*





## EVIDENCE

THURSDAY, December 5, 1957.

3 p.m.

The CHAIRMAN: Gentlemen, I see we now have a quorum. I ask you to come to order.

The first item that I have to bring to your attention and to ask you to support is the printing of the detailed financial statement that was distributed at the last meeting, and to announce that the statement of the hon. Mrs. Fairclough at the United Nations will be printed as an appendix to today's proceedings. Is that agreeable?

Agreed.

Now, members of the committee, we are still on item 94 and I shall turn you over to the minister.

Hon. SIDNEY E. SMITH (*Minister of External Affairs*): With your indulgence, Mr. Chairman and members of the committee, I would like to gloss some of the remarks that I made on Tuesday, or to explain them more fully.

Mr. Stick asked a question about the discussion of economic cooperation within NATO and I endeavoured to point out to Mr. Stick that there would inevitably be some discussion of economic cooperation in respect to the production of weapons but I expressed doubt as to whether there might be any reference to economic cooperation generally.

There is some intimation—though it is not certain—but there seems to be an indication that the question of economic cooperation on larger fronts might come up.

In that context I think it would be useful for the committee to hear the text of article 2 of the North Atlantic Treaty which reads as follows:

The parties will contribute toward the further development of peaceful and friendly international relations by strengthening their free institutions, by bringing about a better understanding of the principles upon which these institutions are founded, and by promoting conditions of stability and well-being. They will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them.

So I bring the committee up to date on the possibility that there might be a general discussion, and I would add further, however, that it was never intended that NATO itself should become an executive institution for trade and financial matters. There are other organizations—and I shall mention one—which deal with those questions. But article 2 as I interpret it, establishes the principle of cooperation and collaboration within the alliance and discussion as a possibility within the general framework without providing executive authority or administrative action in that regard.

I have had an opportunity to study carefully a portion of the committee's proceedings at its last meeting which was held on Tuesday, December 3 concerning NORAD. I feel that I should take the opportunity to elaborate or put in their context some of the remarks that I made on that occasion. I was satisfied as I gave them that they were in context, but now I am not so sure.

I have discussed the matter with the officials of the department and they agree with me. First of all I would like to offer an explanation of my remarks concerning the part which my department played in this matter.

You may recall the context. I was saying that the department will come into the picture when there is an exchange of notes which we contemplate—the preparation for an exchange of notes.

When I spoke on Tuesday with respect to NORAD I had in mind no departure from the rule for negotiating necessary governmental agreements. But I have—and I must take the full responsibility for this—confirmed my impression upon reading the minutes that my remarks in that context were given undue emphasis by me.

Much of the consultation to date with the United States authority has been on the establishment of NORAD from a military aspect; much of it. But I would interpolate here that these discussions were made possible first by political decisions of the two countries.

I suppose that some of the misunderstanding is due to the fact that I did not join the department until September 13 and that I did not emphasize earlier the facets of this whole problem. But I can say now that the discussions relating to political decisions involved the Department of External Affairs; and as I said a moment ago, it will be even more deeply involved when the stage is reached for the negotiations and the actual exchange of notes.

I endeavoured to explain the position of the political authorities of the two countries and the decision to establish NORAD on an interim basis and to have the responsible officials of that command make suggestions to the two governments as to the requirements necessary to give full effect to the principle already approved by the two governments, namely that the air defence of the North American continent required the integration under a single commander of the operational control of the two air defence forces.

I said on Tuesday—and I quote from the minutes, the typewritten script, as follows:

So far as this department is concerned—and I say this very emphatically—so far as this department is concerned—we have not been brought into this picture whatever. This has been a discussion on a military basis. This department deals with the political aspect of it.

I could argue that it is clear in the context; but to make it abundantly clear, I say to the committee—and I offer this in all frankness—that I mean it in the military context, and in the military context it is true.

Military matters have been the responsibility of the Minister of National Defence and I have no knowledge of them. But regarding the political context in August or earlier, my department's involvement indeed goes back for two years under the former government. My department had at the time when the decision with respect to NORAD was taken—it had as its minister the Right Hon. the Prime Minister and he, in the Department of External Affairs and the government were seized of it, and they acted on the political aspects. That is the clarification I would like to make in that context.

A number of questions were asked—and I am now in a better position to answer them than when we met last—concerning what might be grouped under the heading of civilian control and of military operations.

I can assure the committee that the government has had this principle of civilian control always in mind in the negotiations to date concerning the establishment of NORAD.

Ministers first of all approved in principle the need for an integrated command. On the United States side the Secretary of Defence made this decision in principle.

Then the government appointed Air Marshal Slemon as Deputy Commander of NORAD. The Minister of National Defence and the Secretary of Defence of the United States thereupon announced on August 1, 1957, the agreement of the two governments to the setting up of a system of integrated operational control of the air defence forces of Canada and the United States under an integrated command responsible to the chiefs of staff of both countries.

When the exact terms of defence of the command are finally settled, they will reflect the chain of command outlined in the statement of August 1. The military commanders, in turn, as all members are aware, are subject to their respective civilian authorities.

I would say this in closing this part of my opening statement, that I hope what I have said will clear away, in the minds of members of the committee, any doubts which may have existed as to the necessity of this new command. I must say that I did not think there were any doubts in that regard as to the government's attempt to meet what it, in unison with the United States government, agreed was a problem requiring urgent attention.

Once again I trust that the detailed matters to which I have been speaking of a military nature which may yet be in the minds of members of the committee will be taken up with the Minister of National Defence. And I would hope, subject to security provisions, that it would be possible to lay before the house the notes that will be prepared and exchanged, and if that be your wish, I would be happy to answer questions in the house in that context.

Another short statement with your indulgence: I was somewhat concerned about the headlines which I saw in a newspaper relating to my observations on east-west relations.

I did not incorporate into my statement before the committee some of the things I endeavoured to say in the House of Commons in my maiden speech, and I am not discounting—I am not relenting on the view that I expressed; but those headlines indicated—or seemed to carry the suggestion—that we would be subservient to any proposal in the context.

I would repeat again our genuine and sustained interest in finding peaceful solutions to the issues which divide us from the communist world, and I repeat what I said: "No sane person could run the risk of shutting any promising door on the possibility of coexistence", and in expressing agreement on the necessity for the negotiation of problems that divide the two worlds as and when opportunity affords or may be created for that purpose, I think of all those who did express agreement that we can advance a solution of some of the problems. But I would remind the members of the committee of what I said—that we must keep our powder dry—and this does not—I repeat—it does not discount or subtract from this considered proposal on my part. We should have a long period of preparation or a period sufficiently long for preparation on the part of the east and west. Some of the leaders might meet. Naturally we would not be falling into a trap of propaganda. None of us would want to see happen again the complacency that struck the west—overcame the west one might nearly say—after the Geneva Conference. I did say in my speech in the house that we would have to have some assurance—that is, an assurance which we could count upon—that the Soviet bloc would cease in their attempts to dominate the smaller countries and dominate other people.

I was asked a question the other day and I am grateful for the anticipation of that question. May I read it you: About an exchange of information on atomic energy and the work of the international atomic energy agency; and about the Middle East with particular reference to the cost of UNEF and the clearance of the Suez Canal, disarmament and nuclear tests, and economic



co-operation in NATO. Mr. Stick asked that last question, and I thought that I would take it and the others up with you today. These are some of the notes which I made and I am now ready to start in that text.

The CHAIRMAN: Thank you, Mr. Smith.

Mr. KNOWLES (*Winnipeg North Centre*): Would the minister deal first of all with supplementary questions relating to the two matters about which he just spoke?

The CHAIRMAN: Yes.

Mr. KNOWLES (*Winnipeg North Centre*): I would just like to ask a further question or two concerning NORAD. I realize what the minister says about the responsibility of the defence department in this matter thus far. I am sure that I have listened very carefully to what Mr. Pearkes had to say about this question in the House of Commons between 12 and 1 o'clock; but it seems to me that he left us in the same state of uncertainty that we have been left in by the answers from the Department of External Affairs.

What bothers me is this: first of all I would like to say that we are all agreed on the necessity and desirability of joint defence of the North American continent. But it seems to me that with respect to such a tremendous proposition as that, there should have been in this interim basis some documents supporting it or some agreement much more meaningful and substantial than those to which we have been referred.

I have in my hand a copy of sessional paper 183. External Affairs has told us that this is the official document for the joint air defence which is to be found in NORAD.

Sessional paper 183 consists of two pages; first a page which gives the date of the order in council, 1957 10 and 3, and all it says is that Air Marshal Slemon is to be Deputy Commander of Canadian-United States air defence, and it states what his salary is to be because of his responsibility as a representative in the United States. The other page is a copy of a joint press release issued by the Secretary of Defence of the United States and the Minister of National Defence of Canada under the date of August 1, 1957, in which we are told that the two governments have agreed to this joint air defence command.

I am not suggesting that we should have something as bulky as the British North America Act or the constitution of the United States or the charter of the United Nations; but it does seem to me that we should have something more than an order in council setting out the salary, and a press release, as the substantial basis for the joint air defence of the United States and Canada.

Mr. Pearkes said in the house that these matters were agreed to by the governments of Canada and the United States; and the Secretary of State for External Affairs said a few minutes ago that the principle was approved by the two governments. Well, it does seem to me that we should have some kind of order in council. I know that we cannot ask for cabinet minutes; but I feel that we should have some order in council or some kind of document indicating that agreement.

What does it mean just to have a press release stating that these two governments have agreed to this principle, important and far reaching as it is, and desirable as it is?

Is the minister in a position to elaborate on that subject? Am I correct in saying that these two pieces of paper are all that are in existence by way of a basis for NORAD at the present time?

Mr. SMITH (*Hastings-Frontenac*): I am unable to say what actual papers passed between the Department of National Defence which carried on these conversations with the Secretary of Defence for the United States without disclosing cabinet secrets.

The appointment of Air Marshal Slemon was the foundation of the joint defence arrangement; and as I stated on Tuesday—and I say it again—I said the sooner the better the notes should be drawn up and exchanged.

Speaking for myself, I like to explore a new field—so long as war does not catch up with us in the meantime. I like to work a thing out by induction rather than by deduction or by some hypothesis or some premise which has not yet been tested.

As I said on Tuesday, the joint commanders worked together in harness in putting forward recommendations with respect to the matters you are raising, and that is why I suppose I laid emphasis on the exchange of notes.

Mr. KNOWLES (*Winnipeg North Centre*): As a member from Winnipeg I still want to call you Doctor.

Mr. SMITH (*Hastings-Frontenac*): Please do not. I gave up the doctorates. All my doctorates are "phony".

Mr. KNOWLES (*Winnipeg North Centre*): When you read this order in council it says that Air Marshal Slemon is appointed as Deputy Commander in Chief of Canadian-United States air defence command. Here is an appointment to an establishment for the legal basis of which we do not have any document.

The problem was also presented to us in your own words when you said that these military discussions—these discussions at the military level—were made possible by political decisions of the two countries, and that the Department of External Affairs was somehow involved in the making of those political decisions.

Can you tell us, sir, something more about the making of those political decisions, and how the Department of External Affairs became involved?

I recognize that we have a type of government where every member of the cabinet is responsible to all the other members for what goes on and for what you might say to us. Does not the Minister of National Defence speak for the government when he negotiates with the Secretary of State of the United States? But you yourself and Mr. Pearkes keep talking about these things as a larger, over-riding proposition that the governments approved of. What we are concerned about is to get just where the whole Canadian government comes into the picture, and in particular where the civil authority of NATO is superior to the military authority.

Mr. SMITH (*Hastings-Frontenac*): In its decision the cabinet had the advice of the Secretary of State for External Affairs at that time. That was brought to bear on the political decision of the cabinet to authorize this principle, and to ask the Minister of National Defence to take it up further with his counterpart in the United States.

Mr. KNOWLES (*Winnipeg North Centre*): Right at that point we are agreed that we cannot ask for cabinet minutes for discussion as we go along; but would you say that the final decision was reached by the cabinet?

Mr. SMITH (*Hastings-Frontenac*): In principle, but not finally.

Mr. KNOWLES (*Winnipeg North Centre*): It was a decision in principle?

Mr. SMITH (*Hastings-Frontenac*): To establish it.

Mr. KNOWLES (*Winnipeg North Centre*): On the basis of which there were negotiations?

Mr. SMITH (*Hastings-Frontenac*): Yes.

Mr. KNOWLES (*Winnipeg North Centre*): How was that decision in principle recorded?

Mr. SMITH (*Hastings-Frontenac*): I am unable to tell you because I was not there at the time. Moreover, if I did know, and if I were in cabinet, I would not disclose it.

Mr. SMITH (*Calgary South*): I think it has been said as a principle that we should approve a unified command, and I cannot help but wonder from the line of questioning, if it is not the principle that is the concern of the hon. member's (Mr. Knowles) questioning. But let us assume for the sake of argument that the principle is generally agreed to. I think surely what must have happened and has happened many times since, is that this was basically, to begin with, what it always must be, a military consideration.

It really then becomes a case of reviewing defence commitments, with the assurance that they are going to be military first, and political second, assuming of course that the first is to be satisfied, and then designating what the military agreement should be, or what shall be agreed to.

As I see this, I think the fact is that it is an example—let us take one element and get into it: that Canada should play a certain part, certainly if the considerations are military considerations. Certainly in the initial consideration, that is the military consideration which was later confirmed by political agreement, it seems to me the only criticism which perhaps could be levied, in view of the minister's statement, is the question of the time it has taken after the agreement was made until the time it was interpreted by an exchange of notes at the political level. I would hate to think the question would be determined at the political level without consideration as to whether or not it was feasible from a military standpoint. Naturally the chief of the air staff and General Norstad had to give consideration to it from the practical aspect of what was required from a military standpoint, and that has been explained here by the defence minister. It then became a question for consideration by the two governments at a political level. I suggested that is the rule rather than the exception and we place considerably more importance on the delay which has occurred since that time than on the political agreement which was presented to the house.

Mr. PEARSON: Mr. Chairman, if I may say a word, I do not know whether I am following the inductive or the deductive method in what I am going to say; but I do not quite agree with Mr. Smith. I feel it must have been the case that the Department of National Defence here and the Department of Defence in the United States agreed on this command before it went to the cabinet; that would be the normal course, and I am sure it was followed in this instance. But, once the decision was made in the cabinet, as the minister has said, it became a political decision. As the Minister of National Defence has said in the House of Commons today the political decision resulted in the setting up of this command and also in the appointment of a commander and a deputy commander who, according to Mr. Pearkes, have their authority from both governments.

Therefore my worry, and it is a genuine one, is not that military consideration was not given to it prior to the political decision, but rather as to the exact nature of that political decision. I am not particularly concerned as to how it was arrived at because if it were a cabinet decision all the departments concerned would have had an opportunity in cabinet, through their minister, to express their views about it. But what we have now is a document appointing a Canadian deputy commander of the unified command, but we do not know what that command is. Perhaps we will not know until the exchange of notes between the two governments is completed; but meanwhile I assume on the basis of some authority and interim arrangement, or whatever you may wish



to call it—an agreement between two departments of the two governments—we have on some authority a command which has operational control of certain Canadian forces. That, of course, is rather a different situation to some of the other NATO activities upon which we have embarked.

General Norstad had operational control and command over Canadian soldiers in Europe. We know the source of that command, and it was discussed and agreed upon. This to me seems to be something rather different. We do not know very much about this command—and there are some things about it which we should not know because of military considerations—but we do know that the United States commander has said he has authority—under whatever agreement may have been reached—from President Eisenhower, and President Eisenhower is the only person he mentioned, to order into action all those troops over which he has operational control in certain circumstances. We do not know whether he has the same authority from the government of Canada. We do not know whether the deputy commander, who is a Canadian and who would be in charge if the American commander were away, would have the same authority from Washington or from Ottawa.

I think we are entitled to express at least some curiosity as to the nature of this command and its control over Canadian forces. Perhaps our curiosity will be satisfied when the exchange of notes is completed. Meanwhile, without an exchange of notes, the commanders seem to have exactly the same authority as they would have under an exchange of notes; otherwise what is all the excitement about.

Mr. SMITH (*Hastings-Frontenac*): The member for Algoma East (Mr. Pearson) knows about this problem. It became a problem about two or three years ago and during the period of the last government. The information I have is that in those days there was established a joint study group by Canada and the United States. Then the recommendations of this study group were accepted, approved by the chiefs of staff of both countries, and then there came what I have designated as the political action of the two sides in terms of principle. I say this, when this government came into power in June they felt a sense of urgency about the objectives of this joint command; having regard to the rapid scientific developments they felt they should do some things right away. It did not take them two years.

Mr. MONTGOMERY: Mr. Chairman, as I understand Mr. Smith's last explanation it is to the effect that this command has been established as a result of two years study by the military personnel of both countries.

Mr. SMITH (*Hastings-Frontenac*): Over two years. It started in 1954.

Mr. MONTGOMERY: You suggested there was a continuation of the study from a sort of preliminary administrative stage in order to decide on and work out a final agreement as to how it shall be operated from the standpoint of command. I understand it has not yet reached the final stage.

Mr. SMITH (*Hastings-Frontenac*): No. These notes have not been prepared. The United States authorities have assured us they will exchange notes with us, and that is what will happen through what I might call normal diplomatic channels; but, you do not have to use ambassadors for communications between governments. You may have exchanges between governments on the basis of departments. If it involves a political decision, then that calls for the authority of the government or the cabinet.

Mr. PEARSON: If this is merely the preliminary stage of negotiations which have yet to be completed, signed, sealed and delivered, through intergovernmental agreements, then it is difficult to understand why at a

preliminary stage of this kind, there should be such an important stage as turning over to a joint command under a United States general the operational control of the R.C.A.F.

On the other point, the minister is quite correct when he says this matter has been under consideration for a year or two. That consideration was being given. I believe, interdepartmentally as well as departmentally. The minister will also agree that that consideration which has extended over such a long time is evidence of the important nature of this problem. That consideration was not completed until, I believe, the early part of this year and no cabinet consideration of any kind was given to the results of that consideration until a meeting to which the minister has referred and not by the previous administration. The decision that was then taken was the political decision putting into some kind of effective action the result of the interdepartmental considerations which had taken place over a period of a couple of years.

Mr. JONES: Do I understand Mr. Pearson is inclined to believe the cabinet of his government did not concern themselves with this problem of North American defence.

Mr. PEARSON: No. This particular study of the question of a joint command had extended over many months and had not been considered by any previous administration; it was not considered in any way, shape or form by the previous cabinet.

Mr. SMITH (*Calgary South*): But it had been studied interdepartmentally?

Mr. PEARSON: Yes, for a long time.

Mr. SMITH (*Hastings-Frontenac*): If it were a matter of life or death, or attack over the north lands, and that was appreciated by the previous government, why did it take two or three years to do this?

Mr. PEARSON: Because under the previous government pretty good operational arrangements had been made for coordination of defence activities. This proposal is not one which only coordinates. It is unification. I think if there had been an emergency before this joint command went into effect there would have been swift and effective methods taken to deal with it which had been approved by the departments of national defence of both governments up to that time.

Mr. JONES: But not politically.

Mr. PEARSON: Yes. But they did not involve the putting of any Canadian forces under non-Canadian command.

Mr. JONES: You said this could operate quickly in the face of danger. Now, in view of the great rapidity with which attack can be delivered on this country are you saying that the type of arrangement which was set up by the previous government was such that before Canadian forces could rise into the air cabinet consideration had to be taken?

Mr. PEARSON: No. I did not say that, and I do not think anything I said could be interpreted in that way. I said the previous arrangements involved cooperation and coordination between the air defence forces of both countries but the present arrangements involve unification of command.

Mr. JONES: How was it proposed to get Canadian forces off the ground in the case of attack? How was political control to be obtained under the previous governmental arrangements?

Mr. PEARSON: Perhaps I should not attempt to answer this. The Canadian defence forces were then under complete control of the Canadian government; they were not subject to any control of the kind about which we are speaking now. The authority was in the government.

Mr. JONES: I thought you said this was a coordinated planning and would therefore involve use of American forces?

Mr. SMITH (*Hastings-Frontenac*): We have heard the hon. member for Algoma East (Mr. Pearson) say enthusiastically: "Yes. This is a thing to be desired, this bold venture." Have I misinterpreted your remarks?

Mr. PEARSON: I may well have said that. This might be the best way of doing this job, and we should not boggle that collective defence, because we already have accepted this obligation in Europe and have Canadian forces in Europe today under the operational control of non-Canadian generals. I do not think any of us complain about that. That was done as a result of a political agreement and was not done until that political agreement had been discussed and approved in the Canadian parliament.

My worry now is that this kind of thing has been done for North American defence and I do not quite know under what authority it was done. That is a legitimate subject for curiosity and interest on our part.

Mr. KNOWLES (*Winnipeg North Centre*): All we know is that it is done under an order in council appointing Marshal Slemon, stating his salary, and a press release.

Mr. SMITH (*Hastings-Frontenac*): Implicit in that is an agreement.

Mr. KNOWLES (*Winnipeg North Centre*): That is what we think we should know something more about. When we are told Air Marshal Slemon is herein appointed to be deputy commander of the air defence command, our first and legitimate question is what is the constitutional basis in political terms of that air defence command.

Mr. SMITH (*Calgary South*): Is it not logical to assume that five months is not a long period of time in which to work out something as involved as that?

Mr. SMITH (*Hastings-Frontenac*): It became effective on September 12.

Mr. KNOWLES (*Winnipeg North Centre*): What happened which brought it into effect on that day?

Mr. SMITH (*Hastings-Frontenac*): I cannot say. I suppose negotiations between the two departments of defence. That is one of the matters involving the minister of national defence.

Mr. KNOWLES (*Winnipeg North Centre*): Would that be the date of the exchange of any notes?

Mr. SMITH (*Hastings-Frontenac*): I do not know. That is the date on which the command became effective.

Mr. KNOWLES (*Winnipeg North Centre*): This command involving international relationships became effective on that date but you, as Secretary of State for External Affairs, do not know how it became effective on that date?

Mr. SMITH (*Hastings-Frontenac*): That exchange is a military matter as to how they would set it up and the terms of establishment and so on and so forth.

Mr. KNOWLES (*Winnipeg North Centre*): I wonder if you are able to answer the question I asked with reference to the way in which your department became involved in these discussions. I realize this was before you became the minister; but it is your department.

Mr. SMITH (*Hastings-Frontenac*): I would believe, from my experience, that it would have been discussed in the department and advice obtained on the political implications and so forth. Even if I had been involved in those discussions I do not think it would be proper for me to involve the permanent officials; I am the one who takes the responsibility.



Mr. KNOWLES (*Winnipeg North Centre*): Yes. Also if it was done before you became secretary of state you are taking the responsibility for Mr. Diefenbaker.

Mr. PEARSON: And if it was done before Mr. Diefenbaker he is taking responsibility for me.

Mr. SMITH (*Hastings-Frontenac*): I do not think a minister should be called upon to disclose the type of communications within the department or among departments.

Mr. PEARSON: Would it not be appropriate to say, if it were the case, that it was done by an interdepartmental committee or through that machinery. That is the normal machinery. I suppose it was done in that way in this case.

Mr. KNOWLES (*Winnipeg North Centre*): Was there anything in the United States comparable to this order in council which we have, or anything in the United States which is more substantial than this order in council?

Mr. SMITH (*Hastings-Frontenac*): It was an authoritative act on the part of the government, but I do not know how it was ratified or confirmed.

Mr. KNOWLES (*Winnipeg North Centre*): Was the appointment of General Partridge similarly by a document which appointed him the commander, the basis of which is an exchange of notes which we have not seen?

Mr. SMITH (*Hastings-Frontenac*): The under-secretary informs we could ascertain that from a friendly power. However I do not know that I should speak about the constitutional machinery and administrative machinery of another country.

Mr. KNOWLES (*Winnipeg North Centre*): But where we have a top-ranking officer appointed to be deputy to a general of another country I think you might consider obtaining for us the document on the basis of which the United States general, General Partridge, is appointed to be commander.

Mr. SMITH (*Hastings-Frontenac*): The under-secretary advises me that he believes that he could obtain this from a country such as the United States of America. We will do our best.

Mr. PEARSON: I would hope they would agree to that in view of the fact that General Partridge said he had authority over all forces under his command which includes Canadian.

Mr. KNOWLES (*Winnipeg North Centre*): We will send him a copy of this in exchange.

Mr. PATTERSON: This question has been raised on several other occasions and the answer may have been given by American authority. Has General Partridge authority to act now; that is in this instance, has he authority to act without reference to either the United States or the Canadian governments in the event of an emergency?

Mr. SMITH (*Hastings-Frontenac*): I spoke about civilian control, and that will be maintained.

Mr. KNOWLES (*Winnipeg North Centre*): So that at the present time, in the interim, General Partridge must receive authorization from the United States and the Canadian governments before he actually sends the unit into action.

Mr. SMITH (*Hastings-Frontenac*): Unless—I am informed—Canadian air space has been invaded by hostile planes; and a commander in the field or a commander in the air, if he is attacked and he knows he is attacked by hostile and belligerent forces, will do his best to get in touch with the civil powers, but I cannot contemplate this, that he would stay there in the air and be shot down if he is attacked.

Mr. KNOWLES (*Winnipeg North Centre*): In the event of General Partridge seeking authority from the United States government, is he also obligated to seek authority from the Canadian government as well?

Mr. SMITH (*Hastings-Frontenac*): Mr. Pearkes answered that question in the house. I would like to have a look at his answer. It was several weeks ago. I would emphasize, Mr. Chairman and members of the committee, this is not an air force for offensive operations, it is an air defence arrangement.

Mr. KNOWLES (*Winnipeg North Centre*): I realize that, Mr. Minister, but the thing about which I am wondering is, is General Partridge going to operate under the authority alone of the United States government or is he going to operate under the authority of both the United States and the Canadian governments.

Mr. PEARSON: I am speaking now of this interim period.

Mr. SMITH (*Hastings-Frontenac*): I would like to get a little better acquainted with the facts. I will ascertain that. My recollection is that that was answered, that a statement was made in the house. I do not want to say something just off the cuff in that context.

Mr. HOLOWACH: Mr. Chairman, is it a fact that, as matters stand at the present time, decisions can be made by this military command without first receiving approval from either the United States or the Canadian governments?

Mr. SMITH (*Hastings-Frontenac*): That is the point I would like to be clear on.

Mr. SMITH (*Calgary South*): Mr. Chairman, that question was answered by Mr. Pearkes this morning.

Mr. SMITH (*Hastings-Frontenac*): I forget the answer. I was not in the house. I was in the gallery. Perhaps that is where I should have stayed.

Mr. PEARSON: He said, Mr. Chairman, that the United States commander got his authority from both governments.

Mr. KNOWLES (*Winnipeg North Centre*): What happens if they disagree?

Mr. SMITH (*Hastings-Frontenac*): I think they would agree in the case of a hostile attack or invasion.

Mr. HOLOWACH: There is a second question I would like to place before the Minister of External Affairs. Does this arrangement involve only Canada and the United States, or is NATO interlocked in the decisions which are made by this committee?

Mr. SMITH (*Hastings-Frontenac*): As I stated last day, NATO was informed of it—NATO was sent a copy of that communique. I am not in a position to answer. I would have to ask someone from the Department of National Defence to explain to me the ramifications and the inter-relations with NATO.

Mr. KNOWLES (*Winnipeg North Centre*): The sentence in the press release on that point simply says:

This bilateral arrangement extends the mutual security objectives of the North Atlantic Treaty Organization to the air defences of the Canada-United States region.

I think we would all agree with that statement of fact, but it hardly provides a constitutional basis for an arrangement with NATO, does it?

Mr. SMITH (*Hastings-Frontenac*): I have before me this statement that the Canada-United States region is within the NATO area and is obviously in the North Atlantic Treaty.

The CHAIRMAN: Any further questions?

Mr. KNOWLES (*Winnipeg North Centre*): I wonder if the minister would be in a position to indicate how soon the final exchange of notes might take place?

Mr. SMITH (*Hastings-Frontenac*): Fairly soon. I cannot put a date on it. The recommendations have come from the integrated command.

Mr. KNOWLES (*Winnipeg North Centre*): Fairly soon or very soon?

Mr. SMITH (*Hastings-Frontenac*): Fairly soon, and that is the best I can do. I think it would be misleading to the committee if I said "very soon".

Mr. HERRIDGE: Is it the intention of the government, when the notes are completed, to have the arrangement confirmed by some document in parliament?

Mr. SMITH (*Hastings-Frontenac*): I cannot anticipate the nature of the notes. It might be that there would be a security measure involved.

Mr. HERRIDGE: Yes, but I was referring to the principle of the arrangement; something like the North Atlantic Treaty.

Mr. SMITH (*Hastings-Frontenac*): I can assure the members of the committee that it will not be loaded, in order to keep it out of the house, with security measures.

Mr. PEARSON: Might it not be a useful thing when these documents are completed to refer them to the NATO council for consideration—this is without prejudice to reference to the Canadian parliament, of course—in the hope that perhaps this command—NORAD—might be in some way more closely associated with NATO than it would be if it were a command brought about only by bilateral action under the United States-Canadian planning group of NATO which is not a NATO command in any sense of the word? Perhaps an opportunity might arise later on, when the work here is completed, to bring this command into some closer association with NATO, just as the four other commands have been set up under NATO.

Mr. SMITH (*Hastings-Frontenac*): I assure the hon. member that we will keep his observations in mind.

Mr. KNOWLES (*Winnipeg North Centre*): I take it you will also keep in mind the implication of Mr. Herridge's question, that some persons feel it would be desirable to have parliament action in connection with any decision reached by the government?

Mr. SMITH (*Hastings-Frontenac*): Has that always been true? I am here to answer questions, I should not be asking them.

Mr. KNOWLES (*Winnipeg North Centre*): It was certainly done with respect to NATO.

Mr. PATTERSON: Mr. Chairman, would it not be necessary for this to be very closely tied in with NATO because of the clause in the NATO agreement, which states, that an attack on any one is an attack on all and, in the event of the other nations of NATO being drawn into it, then there would have to be some correlation between the command in North America and the entire NATO command.

Mr. SMITH (*Hastings-Frontenac*): That is another facet, Mr. Chairman.

Mr. PEARSON: Leaving aside for the moment the question of the procedure as to how this agreement has been reached, and the political implication of it, and all that sort of thing which we have been discussing, I am worried about an arrangement which will make possible a very quick defensive action in an emergency, because that would be essential in an emergency. Perhaps it is more worrying to think that once defensive action was taken, of that kind, retaliatory action might follow immediately, and that action is now not under



NATO control, so far as strategic retaliation is concerned, but under United States and United Kingdom control. Perhaps, and this is just observation, the attack is coming when NATO might wish to give a closer look, under the North American arrangement, for strategic retaliation, so that they could be more closely associated with NATO.

Mr. JONES: I would think, Mr. Chairman, that those remarks would apply to the general problem, as a relationship to the government and the forces of the United States, and it is a world-wide ramification of its responsibilities towards defence.

The CHAIRMAN: Are there any further questions? Would you like to stand this item aside so that we could return to it, rather than conclude it at this time? Would that be suitable to the committee?

Mr. KNOWLES (*Winnipeg North Centre*): Were we not going on to the other questions?

Mr. SMITH (*Hastings-Frontenac*): I am ready, Mr. Chairman, if the committee so desires.

The CHAIRMAN: Yes, the second question dealt with SUNFED technical assistance and the Colombo plan.

Mr. SMITH (*Hastings-Frontenac*): Shall we take that one now, or is there a preference? I wonder, in view of the fact that the member for Algoma East is going away on Saturday, if we —

Mr. PEARSON: I am glad to hear that. I wonder, was NATO one of the questions you had down there? I have just mentioned that in connection with NORAD but I have not—

Mr. SMITH (*Hastings-Frontenac*): I have this note there, Mr. Chairman, on NATO and I can look up the manuscript, but I wanted to explain the terms of increasing our deterrent forces.

Mr. PEARSON: Yes, that is right, sir. That is what I had hoped you might elaborate on. You said the other day that, at the council meeting, one of the things that would be considered would be the need of increasing the NATO deterrent.

Mr. SMITH (*Hastings-Frontenac*): Is it agreeable that I discuss this?

The CHAIRMAN: Yes.

Mr. SMITH (*Hastings-Frontenac*): Mr. Chairman, this was the question taken from the manuscript: Mr. Pearson gave notice on December 3 of his intention to ask further questions concerning my statement in the last meeting of this Committee in which I said, *inter alia*, "It" (the December ministerial meeting) will be, first, a meeting to consider cooperation in the military field in terms of increasing our deterrent forces against aggression."

If I were to rephrase that—but I do not, I expand it, or interpret it, and I use it in its context—it would be as an increase in deterrent forces that will come from the cooperation of science and research, and the exchange of knowledge. I was not thinking of an increase in conventional arms or anything like that.

I would offer this, sir, that one of the basic elements of NATO's strategy is to provide sufficient military forces to deter aggression on any member of the alliance. Since the formation of NATO and indeed since the end of World War II, the principal deterrent to aggression has been the United States Strategic Air Force which has a formidable nuclear capability, but is not a part of the NATO command. It is our hope, and the hope of all members of the alliance, that the full knowledge of the existence of this great force will deter any aggressor from making incursions on NATO territory.

It is clear, however, that with the prospect of the Soviet Union having intercontinental ballistic missiles within the next few years, it will be necessary for NATO to alter the form of its deterrent forces. They must be armed with the most modern weapons available.

Members of the committee, Mr. Chairman, will be aware that the United States Secretary of Defence (Mr. McElroy) last November indicated that one of the important subjects for discussion at the NATO meetings in December would be the possibility of further deployment of intermediate range missiles in Europe—1,500 to 2,000 miles.

Mr. PEARSON: That would be deployment under American control?

Mr. SMITH (*Hastings-Frontenac*): Yes.

Arrangements to station these weapons in the United Kingdom were made sometime ago—in fact, at the Bermuda meetings, if I recall correctly. These missiles which have a strategic rather than a tactical role must be regarded as a strengthening of the deterrent forces of NATO in Europe. This is in addition to the co-operation and exchanging of field research.

I must point out, however, that while we recognize the need for strengthening the deterrent forces of NATO by arming them with these new weapons, the countries which will have to take decisions in this connection are the United States and the European countries concerned. That is by reason of the range of these missiles. There is no requirement for these weapons in Canada or for our forces in Europe. If we ever got them we would be thinking in terms of the ICBM—intercontinental ballistic missiles.

There is also a need for smaller tactical atomic weapons to strengthen the support of the shield forces in Europe. This is a problem to be considered, it appears, at the December meetings and one which is of the most direct concern to the United States, and again to the European members of the alliance.

I might have more to say in this regard, but I am not so sure that I will. It would be inappropriate for me to go into greater detail on this subject, in respect of the deployment of these missiles.

The CHAIRMAN: Any questions on that item?

Is there a choice as to which item we shall take up next?

Mr. SMITH (*Hastings-Frontenac*): We have, Mr. Chairman, SUNFED, the exchange of information on atomic energy, and the work of the International Atomic Energy Agency. These were asked for by the hon. member for Algoma East. He also asked another question in regard to the Middle East with particular reference to the arrangement of sharing the cost of UNEF—the United Nations Emergency Force—and the clearance of the Suez Canal. We also have an item on nuclear tests.

The CHAIRMAN: We were just discussing which item we should proceed with when you were called out.

Mr. PEARSON: Perhaps the simplest would be the arrangement regarding the financing of UNEF, and the cost of the canal clearance.

The reason I brought the first one up is, I have been reading a good deal in the newspapers about the discussions on the financing of UNEF and the difficulties, which might even be so formidable as to bring UNEF to an end. I was wondering if the minister could give us some information on that score.

Mr. SMITH (*Hastings-Frontenac*): The General Assembly adopted a resolution with respect to UNEF on November 22 which provided, amongst other things, for raising of additional funds necessary for the operation of UNEF—I think, until December 31, 1958. I referred to that in my speech in the house. The funds required are to be raised through common assessment of all the members. Whether some of the members will contribute is a nice question,

and in some cases it is rather clear that they may not. This resolution was co-sponsored by 21 members, including Canada. I had the honour of introducing this resolution to the general assembly.

For Canada, there are two aspects to the question of the financing of UNEF; one is the way by which the funds are to be raised and the other is the sharing of the cost between the United Nations and the states contributing forces. We believe that UNEF should be a collective responsibility and should not depend upon voluntary contributions. We believe that its cost should be borne by all United Nations' members, and shared in accordance with the scale of assessment for the general United Nations budget. Because of the unexpectedly large deficit for 1957—\$12 million or \$13 million I think it was at one time—

Mr. JONES: \$18 million.

Mr. SMITH (*Hastings-Frontenac*): A shortfall of \$18 million.

Mr. KUCHEREPA: What was the original deficit?

Mr. MATTHEWS: It was \$18 million for the 1957 period ending December 31.

Mr. SMITH (*Hastings-Frontenac*): Yes, I recall it now.

To help reduce this deficit the United States and the United Kingdom have given \$12 million and \$1 million respectively. I do not like to use the word "deficit". There is nothing you can set aside. I prefer the term "shortfall".

Some of the other nations not providing contingencies to UNEF have also pledged themselves to provide special assistance.

The deficit for 1957, taking into account these voluntary contributions—and they did raise \$10 million originally on an assessment basis—taking the assessment basis, the assessment that was made, and these voluntary contributions, it appears now that this amount of \$18 million will be reduced to \$4 million. The resolution provides that the balance required to December 31, 1957, shall be raised by a common assessment, as will the estimated \$25 million required for 1958. It was up to \$30 million, but now they are budgeting for \$25 million for 1958.

Mr. PEARSON: Canada got credit for meeting the total cost of its own contribution?

Mr. SMITH (*Hastings-Frontenac*): I am coming to that, Mr. Chairman. With regard to the sharing of costs between the United Nations and the states contributing forces, the Secretary-General made a series of proposals and recommendations in his recent report on UNEF which were approved in principle by the general assembly, but which will be reviewed in detail by the administrative and budgetary committee. That was part of the resolution. The general principle governing the secretary-general's recommendation is that members furnishing contingents should be reimbursed for any legitimate expenditures incurred directly as a result of their participation in UNEF. I come back to these words "for any legitimate expenditures incurred directly as a result of their participation in UNEF". What is "legitimate" in this context? "Legitimate expenditures" embraces such services as the regular weekly flights in support of the force, aircraft at Naples and El Arish, and materials and supplies for UNEF. Each type of service is treated on its own merits. Aircraft services are provided to the United Nations on a rental basis; in other words, we charge the United Nations for petrol, spare parts, and depreciation on the basis of flying-hour rates. I might add that we also intend to submit claims for the depreciation of our army equipment over and above normal wear and tear. In this regard, Canada is in a special position since we are the only nation, with the exception of Yugoslavia, providing heavy equipment such as scout cars and other vehicles. On the other hand, the cost of salaries and some of the allowances of our troops



serving with UNEF are expenditures which would have been incurred if our troops had remained in Canada and are therefore not considered reimbursable by the United Nations. These are not extra expenditures resulting from our participation in UNEF.

That is the situation. Of course, Canada would be subject to the assessment that will be made, but we can get back our cost as defined there. That has now been worked out, or will be worked out, by the administrative and budgetary committee of the United Nations, because they are dealing with that sort of thing all the time.

Miss AITKEN: Mr. Chairman, has there been a definite amount of assessment?

Mr. SMITH (*Hastings-Frontenac*): I have not seen it.

Mr. PEARSON: I thought it was suggested some place that it should be the same original assessment of the general expenses of the United Nations?

Mr. SMITH (*Hastings-Frontenac*): 3.09 per cent, Mr. Matthews says, for Canada. It is 3.09 per cent, or about \$750,000, which is Canada's share of the \$25 million.

Mr. PEARSON: I do not suppose you expect to get any from the communist regimes?

Mr. SMITH (*Hastings-Frontenac*): The last I heard—I was there when the vote was taken—and I heard Mr. Kuznetsov—whose name is the same as mine—Smith—make a very mild speech in which he said that the people who started this should pay for it. His speech has been interpreted recently to mean that there might be the possibility that they—the communist regimes—would pay. I do not know what the score is.

Mr. MACNAUGHTON: I think it might be useful, Mr. Chairman, if we should have tabled the amounts paid by the different countries and in that way show up those countries which have not made any contribution.

Mr. SMITH (*Hastings-Frontenac*): We can get that. I wonder Mr. Chairman, if the committee would be interested—there are so many initials—in what UNEF has done. I have a short statement on it.

The CHAIRMAN: Is the committee interested? Agreed.

Mr. SMITH (*Hastings-Frontenac*): I talked to General Burns when I saw him in New York the week before last. This is a considered judgment of the U.N. The effectiveness of the Force has been amply demonstrated, as I endeavoured to say in my speech in the House. Remarkably few incidents have occurred. General Burns told me before he left that there had been no serious incident for several weeks. I fear, however, that the situation could deteriorate suddenly at any time should the attitude of either Israel or Egypt to the present situation be altered.

There is no doubt that the effectiveness of the Force could be further increased if certain of the problems stated by the secretary general in his report which was presented to this session of the general assembly could be settled. There is the question of deploying the Force on Israeli as well as on Egyptian territory.

It could be, in the Secretary-General's opinion, a case of determining where that Force should be stationed because the words are "on the demarcation line" as I recall them. But to apply the United Nations resolution, that Force should span the demarcation line. The Secretary-General says there is an unresolved problem there yet, and that the deployment of the Force in Israel as well as in Egyptian territory has not yet been acceded to by the Israelis. The belief of certain countries including Canada is that UNEF's position would be much more secure and its activities more effective if it could operate on both sides of the

line. But so far there has been no modification of the Israeli attitude in refusing to admit UNEF to their territory, although it would be in their own immediate interests if they would implement the decision.

The cooperation of the Egyptian government has been very, very good. There are details here about the cooperation between UNEF and their civilian administration in Gaza and so forth and so on.

A question was raised—and if I am talking too much you may close me up—it may even have been asked in the House, whether the departure or withdrawal—the recent withdrawal of the Finnish contingent—would weaken the Force, and also the withdrawal of the Indonesian contingent.

The Finnish contingent numbered 255 men. There are 6,000 troops there, of which we have 1,200.

The Indonesian contingent had consisted of 382 men and it was withdrawn in September. There have been various withdrawals but they were made purely for domestic reasons by the countries concerned, and in no way reflected upon the attitude of those countries, or the attitude of any particular country concerned towards the principle of UNEF.

Canada's contingent which numbers approximately 1,060—although I have been using the figure of 1,200—remains as it is in UNEF. We understand that one of the contributing states is being asked to raise the strength of its contingent to offset the departure of the Finns. There has been very great praise of General Burns.

Mr. MACNAUGHTON: On the question of stationing troops on Israeli territory, I think it is a fact that we have to recognize that the Egyptians have considerably more territory—thousands of miles more in comparison to an extremely small and heavily populated state of Israel. Is it not a fact that Israel has agreed or is willing, or that they have in fact offered, to build a wire barricade along the Gaza strip right on the line dividing the territory of Israel and the Gaza strip? I do not think it is important, but it was a minor concession, I believe.

Mr. SMITH (*Hastings-Frontenac*): I am not too eager for Canada to get into a dispute between Israel and the Arab countries but I do state this, as a matter of fact; the installations, I think—that is the military items—are now all on the Egyptian side. It would ease the situation, I suppose, and make the Force more effective if even a patrol could go across the line for ten feet or so, or for whatever is consistent.

Mr. MACNAUGHTON: You think it is more of a propaganda point than a practical one?

Mr. SMITH (*Hastings-Frontenac*): Yes, on the Israeli side.

Mr. PEARSON: I was glad to hear the minister's reference to the cooperation which the force is receiving from the government of Egypt because not many months ago it was suggested in many quarters I think that this force was merely the creature or tool of Colonel Nasser, to do whatever he wanted it to do. I gather that you pointed it up at the U.N. in your statement that they have been receiving close cooperation in their activities from that government.

Mr. SMITH (*Hastings-Frontenac*): Yes. Here is one small point. The troops used to go to Beirut on leave but they now, during the winter season, are spending it in Cairo on the invitation—not at the expense of—but on the invitation of the Egyptian government.

The CHAIRMAN: Are there any further questions on this item?

Miss AITKEN: You mentioned in the House the other day that there had been a suggestion in the United Nations for the creation of a police force. How was that suggestion received in the United Nations?

Mr. SMITH (*Hastings-Frontenac*): I could not estimate. Our chairman was at the United Nations for several weeks. I would not dare to estimate what the attitude would be.

The CHAIRMAN: I think it is impossible to say other than that there were exploratory talks to feel out what the other nations, Canada included, might think of the proposition; but they did not proceed, as far as I could see, further than that. What is the next item with which you wish to deal?

Mr. SMITH (*Hastings-Frontenac*): I might add a note here, a point that perhaps might come up. At present the Force is stationed on Egyptian-controlled territory only, and another decision of the General Assembly would be required to extend it officially to any additional sector, of the Arab-Israeli frontiers.

The Prime Minister of Canada in his address in the plenary session indicated that the Canadian government would be willing if in the judgement—I think these were the terms—in the judgement of the U.N., if it was desirable to establish another force, or to establish a police force, the Canadian government would cooperate. I think that is a fair paraphrase of what he said.

General Burns has said that if you should take away any of his forces, and if you should deploy them some place else, it would make them too thin. And there is another point in that regard: notwithstanding the effectiveness of the Force, and the fact that they have been between the Egyptians and the Israelis, to expand its area of operation, have a subconscious effect, if nothing else. If an emergency should arise there, it might be better to establish a new force.

Mr. KNOWLES (*Winnipeg North Centre*): What would you say to a proposal on behalf of Canada that we establish a force on a permanent basis not just when an emergency arises, but one that would be ready?

Mr. SMITH (*Hastings-Frontenac*): For myself I have not talked to military people and I have not thought this through. And I doubt if the United Nations should have a permanent force and should have it stationed as a unit or an organization for was drawing in forces from various nations.

Mr. KNOWLES (*Winnipeg North Centre*): For something interesting to read I suggest that you go back to 1945 or 1946 and read what Mr. Diefenbaker had to say about Canada's strategic air position speaking aviation-wise, when he made the suggestion that Canada should be the place to have an international aviation force established so that should trouble arise, it could be stopped in the world quickly.

Mr. PEARSON: What year was that?

Mr. KNOWLES (*Winnipeg North Centre*): It might have been during the discussion of the proposals of the San Francisco conference, or it might have been on the debate on the approval of the United Nations set-up.

Mr. PEARSON: Would it not be a good idea to have at least an organizational nucleus permanently established in New York, let us say, should an emergency arise again, and also to have it ear-marked if such should be desired, with contingents available and to be trained for the purpose, although they would not necessarily have to be stationed outside of their own country when there was no emergency?

Mr. SMITH (*Hastings-Frontenac*): Of course experience helps. There has been a heavy and constant tabulation in keeping up to date of diary of UNEF's activities that would afford the benefit of experience if another situation should arise. It is remarkable. I did not realize it at the time but it is remarkable how quickly that Force was got together.



Mr. MONTGOMERY: I would like to ask Mr. Smith a question: as I understand it, this emergency force is there, and it has been there for a long time. Is any consideration being given to rotating the personnel of that force at the end of two years, let us say? What preparation is being given for the training of others who might be sent in their place?

Mr. SMITH (*Hastings-Frontenac*): I do not know myself what the military people do, but the under secretary informs me that while there has been no rotation of countries, there is some type of rotation or home leave for the troops in our Canadian contingent.

Mr. MONTGOMERY: It is done only by the different countries themselves, is that the idea?

Mr. SMITH (*Hastings-Frontenac*): Yes. I do not know what happens. I myself have seen some of the troops they come home on a regular basis.

Mr. JONES: I think it should not be forgotten that despite the success of UNEF, it was not by the establishment of UNEF that the fighting itself was brought to an end, that was done by other means than through UNEF forces. UNEF was allowed in on sufferance, is still on sufferance and remains on sufferance. So UNEF's efficacy has never really been tested in continuing tension. The real force which held back the combatants at that particular time was not UNEF.

Mr. SMITH (*Hastings-Frontenac*): I would not argue the question, but is it not true that UNEF is more of what we call a police force than a combat force?

Mr. JONES: I would not go so far as to say that it is a police force because I do not think it could really get involved in a restraining action. It is a sort of corps of commissioners.

Mr. SMITH (*Hastings-Frontenac*): The physical presence of 6,000 men, minus those out on leave, is a deterrent, and the fact that they are there as U.N. troops.

Mr. PEARSON: Is it not true that their deployment along that border has brought to an end for the time being—or has substantially brought to an end—incidents between Israel and Egypt which were largely responsible for the flare-up a year ago, because they occurred over a period of years? I am informed that these incidents have been brought to an end because of the deployment of these "commissionaires" along the border.

Mr. JONES: I was under the impression that similar results had occurred in the past along that border over a period of time.

The CHAIRMAN: Is the committee now prepared to go back to the subject of SUNFED?

Mr. PATTERSON: There are some other matters in connection with the Middle East. Is it your intention to clear them up at this time?

Mr. SMITH (*Hastings-Frontenac*): The clearance of the Suez Canal possibly, yes. There is a draft resolution before the General Assembly. But I have this memorandum that it was sparking the development—I like the use of the word "spark" in this context by the secretary general—to provide a method whereby the cost of canal clearance could be met.

Canada's contribution—no, it was not a contribution, it was a loan, or an advance of \$1 million to the United Nations to assist the secretary general in the discharge of his responsibility in connection with the clearance of the Suez Canal. Other countries offered loans, bringing the total to approximately \$11 million. According to a report dated November 1, 1957 by the secretary general, the total cost of the clearance operations has been set at approximately \$8 million, although the final figure differs slightly from this. So that is why there is this sum of nearly \$3 million available for pro rata reimbursement

to the cash contributors. They did not need the \$11 million; and the balance being the equivalent to the cost of clearance will be the subject of action in the General Assembly in the near future, some time around December 9.

Perhaps the best way to indicate the concrete terms by which the secretary general proposes to handle this subject would be to read the final paragraph of a report which he made to the General Assembly and which reads as follows:

After consideration of various possible alternatives for meeting the costs of the operation as reflected in paragraph 41 (of the report), the Secretary General would recommend that, subject to reduction by such resources as might become otherwise available, repayment to contributor countries be effected by means of the application of a surcharge on canal traffic under which arrangement a levy of three per cent on canal tolls would be paid into a special United Nations account, the procedures to govern such payments to be negotiated with the Egyptian government and with the other parties to the payments.

On the basis of the current level of canal traffic it can be estimated that by means of this three per cent increase in tolls there would be paid back within three years the outstanding \$8 million.

There was objection by the countries who are the canal extensively—whose ships use the canal—that they were paying for it. There has been some objection, but it is not unexpected, to put it that way, that this resolution for an increase in tolls will be adopted by the General Assembly. Our obligation is to keep in close touch with the secretary general with a view to the reimbursement of the advances along the lines suggested by him.

I might say from what I have learned of the facts, that the arrangement can be made. It is not easy to establish a procedure for the collection of tolls, or of extra tolls.

The CHAIRMAN: Are there any questions?

Mr. PATTERSON: I have some questions with regard to the refugee problem. Would you prefer to leave that subject until later on?

Mr. SMITH (*Hastings-Frontenac*): If we could, because I do not have anything specifically in detail about it.

Mr. PATTERSON: I have several questions I would like to ask later on on that matter.

Mr. SMITH (*Hastings-Frontenac*): Would you make a note of that?

The CHAIRMAN: Are there any other questions? Does that clear up all the suggested questions of Tuesday's meeting?

Mr. PEARSON: No, there were two more.

Mr. KNOWLES (*Winnipeg North Centre*): There were some others.

Mr. SMITH (*Hastings-Frontenac*): There was a question from the member for Algoma East on disarmament, as I recall it. It was, perhaps, a composite question.

// Mr. PEARSON: It was a question on only one aspect of the disarmament problem. I was going to ask your view as to whether the committee of 25, which has now been set up, is likely to perform any useful services in view of the fact that the Russians have announced that they will boycott it and, because of that boycott, it would be impossible to set up a sub-committee of that 25 which would permit, perhaps, more effective work in that smaller group, and whether you have heard anything which would indicate that the Russians may modify their attitude in regard to this boycott.

Mr. SMITH (*Hastings-Frontenac*): I have not heard anything. Of course, the two or three members of the Soviet bloc say that they will not sit on that

new disarmament commission. I wonder if they might take the ball, so to speak, and think they had better get in on the meetings. Statements made in the latter stages of the discussions in the sub-committee, and in the general assembly, and from Soviet sources—including the recent trends of their propaganda—suggest that for the present the Soviet Union has little interest in serious disarmament negotiations. They cannot—this is from my own observations, and I was there to hear part of that debate—and I do not see how they can ignore that good vote in the assembly for this proposal. It was a world judgment.

Quite a number of those who abstained, we have learned, did so because they said; what is the use of voting for any kind of a new disarmament commission if the Russians will not participate, because you cannot have negotiations with yourself—the west.

Mr. KNOWLES (*Winnipeg North Centre*): In that connection, Mr. Smith, by way of referring back to the remarks you made today, which I think you called a “bit of gloss” on what you said the other day that the east-west relations—

Mr. SMITH (*Hastings-Frontenac*): I did not intend that. I did say twice, if you will permit me, that I am not discounting in any way that there was an editorial that indicated—the text of the story did not, but the headline did—that this is a man who is advocating that we get down on our knees.

Mr. KNOWLES (*Winnipeg North Centre*): I do not know which newspaper editorial you might have referred to, but I was going to ask you if you had seen the editorial in yesterday's *Globe and Mail* which, after all, cannot exactly be called a pro-Communist publication.

Mr. SMITH (*Hastings-Frontenac*): Yes, I saw it, sir.

Mr. KNOWLES (*Winnipeg North Centre*): It seemed to speak quite appreciatively of the stand that you took, and suggested that the Russians are just as anxious to avoid annihilation as we are, and maybe want to talk to some persons in the west. If I recall it correctly, it said that the Russians might find it easier to talk to Canada than to the United States and therefore Dr. Smith's suggestion was a timely one. I wondered whether you received any invitations to follow Mr. Pearson's footsteps and make a visit to the Soviet Union?

Mr. SMITH (*Hastings-Frontenac*): No, not even from my namesake.

Mr. KNOWLES (*Winnipeg North Centre*): Have there been any developments at all other than editorial comments on your statement the other day?

Mr. SMITH (*Hastings-Frontenac*): No. I have seen three favourable editorial comments. The *Star* was one—the *Toronto Star* that is—and one in the east. I forget which paper it was, but it was in the maritimes.

Mr. PATTERSON: I wonder if the minister has seen any unfavourable ones?

Mr. SMITH (*Hastings-Frontenac*): Yes, I saw a letter this morning which was so violent that it amused me.

Mr. HOLOWACH: Mr. Chairman, in connection with this reasoning, I was attracted by the very open remarks of the minister when he made reference to the desirability of co-existence. I was just wondering whether the minister would elaborate on his thinking in that regard. The point I make is that we have, in a sense, co-existence today. Are there any suggestions which you would like to make with respect to economical and political relations which might improve that situation?

Mr. SMITH (*Hastings-Frontenac*): I do not have at this stage, I must say directly. I have not thought it through.



Mr. KNOWLES (*Winnipeg North Centre*): We can take it that you are prepared to follow through the implications of what you said the other day; if there is anything Canada can do to get the east and west talking to each other?

Mr. SMITH (*Hastings-Frontenac*): I am just alarmed personally and officially about what could be the terrible, tragic alternative if we both retreat to our corners—I am thinking of the U.S.S.R. bloc and the western bloc—and stop talking to one another,—distrusting one another. The alternative might well be a global, exterminating, war.

Mr. KUCHEREPA: Do you not think, Dr. Smith, that one of the primary reasons for the United Nations' existence is because it provides ground for mutual meetings.

Mr. SMITH (*Hastings-Frontenac*): I am not detracting from or derogating from the importance of the fundamental role that the United Nations plays but it does seem to me that a smaller group would get much further than one with the whole world looking at them.

Mr. KUCHEREPA: Do you think that a country like Canada could, through its representatives, achieve more than say the United Nations, by way of this committee of 25 which has been proposed for the discussion of disarmament? Do you think a country like Canada could do more in that sphere than the United Nations exerting its influence?

Mr. SMITH (*Hastings-Frontenac*): I wonder if the major forces would be inclined to say, and this is just a speculation; this is a summit conference, what are you butting into this realm for? This is just speculation.

Mr. MACNAUGHTON: Mr. Chairman, is there not something that Canada could do? For example, at the forthcoming NATO conference opening December 16, I think it is? It seems to me that that one of the basic questions of the world is in the Middle East. The Arab-Israeli dispute has gone on for many years. Also the question of refugees. These are all questions that must be settled or at least must be attacked. It seems to me that a middle rank nation like Canada, without prejudice to either side, so to speak, could raise the subject for discussion at the NATO conference to see if we could bring the parties together to discuss a solution, and to tackle these subjects one by one; the refugees, the cost burden, the Arab-Israeli problem, which is very difficult. You will recall that the former Minister of External Affairs, at the time of Suez, in his formula, suggested there were two parts; the formulation of UNEF and the sending of troops to patrol the area, which was brought about and the second part, which has not been touched, so far as I know, which is the calling together of the interested parties in an endeavour to reach a solution. My words might sound idealistic, but what is the alternative?

It seems to me that Canada could put these subjects on the agenda for discussion at the NATO conference, because obviously anything which disturbs the peace in the Middle East affects Canada—our security both politically and economically. I do not see why you, as our minister, could not formulate some activity along that line and bring it to the attention of the other powers, and at least that would carry out your own ideas of cooperation. This is one avenue of approach. We could at least put it up to the Russians and say: come on, let us discuss this problem, because if you don't, and I ask the question again—what is the alternative?

Mr. SMITH (*Hastings-Frontenac*): Israel is not a member of NATO.

Mr. MACNAUGHTON: Israel has applied for associate membership.

Mr. SMITH (*Hastings-Frontenac*): In my short diplomatic career I have been surprised, if not astonished, that in the whole area, when you consider stresses and strains, this Israeli-Arab question is at the root of it.

Mr. MACNAUGHTON: The fundamental question, surely, is the conflict between the east and the west—that is between the western nations and the U.S.S.R.—and it seemed to come to a head in the Middle East. These other questions, while extremely important, are secondary. Perhaps the secondary questions could be approached in an endeavour to reach a solution to the first.

Mr. SMITH (*Hastings-Frontenac*): They are all basic in many cases.

Miss AITKEN: Mr. Chairman, I would just like to say a word about this co-existence with Russia. I went to Russia this summer, and I would first like to pay a very high tribute to the members of our Canadian embassy there. I think that position is probably the toughest of them all in the diplomatic service. They have no contact whatsoever with their counterparts in the foreign service in Russia. They have no social life to speak of at all. They are completely shut off. While I was there the only parties were called “PNG Parties” which were persona non grata. Every time an American diplomat was kicked out of Russia they had a round of parties to say goodbye to him. This is a very difficult piece of diplomatic service.

I agree with the minister that we must continue taking a new look at Russia. On this particular trip we found great friendliness on the part of the people themselves. I think there are several ways in which this new look can be encouraged: one way would be to allow tourists to go in there, as we did. Another way is to send our artists there. Glenn Gould, for instance, got a tremendous reception in Russia, not only as a result of his concert piano performance, but also when he went to universities. I think he probably did more for the Canadian stock than most of the diplomats. I feel that we should, as you say, continually take this new look to try to find ways of building up some sort of friendliness or co-existence. I found that Canadian stock was pretty high. The attacks against the United States are pretty vicious but they seem to be leaving us alone at the present time.

Mr. JONES: Except in hockey.

Mr. PATTERSON: I would not agree with the statement of Mr. Macnaughton that the east-west is the basis of the problem in the Middle East. I would like to ask the minister what, if any—what shall I call it—action has been taken within the recent past in an endeavour to try and resolve the political problems in the Middle East. Have there been any attempts made to try to resolve the political problems there?

Mr. SMITH (*Hastings-Frontenac*): Surely, within the United Nations, that has been going on for years.

Mr. PATTERSON: But thinking apart from the United Nations, and, of course, I think possibly that what has been done in the United Nations has just been a terrible battle between the delegates of those countries. I was wondering if any attempt had been made, apart from that, to resolve the political problems there.

Mr. SMITH (*Hastings-Frontenac*): I cannot answer that. My experience is too short. It was involved in the Syrian debate in the general assembly.

Mr. MACNAUGHTON: Mr. Chairman, that is very true, but the reports that we get, press-wise and otherwise—show that conditions for settlement have improved very considerably over the last eight years. I certainly do not hold myself out as an expert but I did have the advantage of being there about a year ago, and there had been a decided improvement. If you instigated, first of all, some sort of a conference between the Arabs and the Israelis, and you tied it in with an economic benefit plan for the whole area and you included also the refugee question, which is quite a question, but one which can be solved—I suppose one cruel way to solve it would be to stop all financial assistance, and call upon the Arabs to support their own blood

brothers—it would not be an impossible solution at all. Certainly Arab countries in the area have tremendous resources which could be used for the economic benefit, the raising of the standard of living of their own citizens, and to help their neighbouring Arab countries. The refugee problem could be financed by means of the United Nations contribution, and the offer has already been made, and by certain token payments from Israel. My point is, the atmosphere locally has decidedly improved whereas in the United Nations you have two opposite stands. I think that if a solution were attempted in the area itself there might at least be some hope of getting forward at least five to ten inches towards a general solution.

Mr. SMITH (*Hastings-Frontenac*): After the last meeting on Tuesday the officials and I talked about this. There came forward from that division a memorandum relating to this whole question. We are trying to work out something in our own minds which would be acceptable.

The Middle East is an area where our representation badly needs broadening and reinforcing. I am persuaded that having regard to the growing importance in world affairs of countries in that region, and to the need for us in Canada to be as fully informed as possible on developments of a very complex and delicate nature, which are constantly arising there, we should look at the possibility of expanding our representation, in order to give Canada a better opportunity of understanding the situation. I have this in mind. This is not a promise. This represents my own thinking—that we will have to do something more in the Arab countries. If they were more prosperous they might feel a little better towards the Israelis and the question might be solved. I am thinking now off the top of my head.

Mr. PEARSON: Do you agree with the statement that there cannot be any satisfactory and enduring solution to the Middle East problem without the participation of the Soviet Union in discussions leading up to that resolution?

Mr. SMITH (*Hastings-Frontenac*): In considering this memorandum, which is quite a long one, it may have occurred to the men who prepared it. It did not occur to me. But certainly the Russians are moving in. What would you say as to that?

Mr. JULES LEGER (*Under Secretary of State for External Affairs*): Mr. Chairman, if I might, I think the question put by Mr. Pearson resolves itself in the following manner: if the Soviet Union is called in their first request will be directed to the dissolution of the Bagdad Pact, so when you put the question that way it becomes much more complicated.

Mr. PEARSON: I had in mind a situation that is not exactly parallel, but there are some similarities. It is the situation in Indo-China two or three years ago when there was trouble. For a long time we thought, and it was hoped that a solution could be reached without including Communist China in the negotiations leading up to it, but eventually it was agreed by France, the United Nations, and the United Kingdom, that China had to be brought into the negotiations. The conference was held at Geneva, as a result of which there was a settlement which certainly was not a perfect one, and perhaps not even a good one, but it was a settlement. I just wondered whether we could ever reach any similar solution in the Middle East unless these countries, which have an interest, and Russia certainly has, and that interest was recognized in some way.

Mr. Low: Mr. Chairman, has any progress been made in getting an agreement on the part of the Arabs and the Israelis in the Jordan Valley development project as one means of bringing some sort of economic development to the Arab countries as well as the Israelis?

Mr. SMITH (*Hastings-Frontenac*): The under-secretary informs me that has been dormant for over a year.



Mr. MACNAUGHTON: It is even more than that. It is a straight refusal by the Jordanians, is it not?

Mr. LEGER: That is probably why it remains dormant.

Mr. JONES: It is certainly my impression that the Middle East problem would still exist even if Russia was not taking an interest in that corner of the world.

The CHAIRMAN: Are there any further questions on this particular item?

Mr. KNOWLES (*Winnipeg North Centre*): Perhaps since the questions on SUNFED and technical aid are quite a large order they could be left over until another meeting.

The CHAIRMAN: Gentlemen, the minister will not be available on Friday morning, but I assume in the ensuing week he will be available before the committee.

Is it the wish of the committee that the SUNFED, technical assistance and Colombo Plan discussion be laid over to a future meeting?

Agreed to.

The CHAIRMAN: Laying that aside, does that take care of all the other questions which were raised?

Mr. PEARSON: I have a couple of questions about atomic energy.

Mr. KNOWLES (*Winnipeg North Centre*): I asked a question about nuclear tests.

Mr. PEARSON: If I may put my two questions now, one concerned the previous arrangements by which atomic energy matters were discussed amongst the three governments of the United Kingdom, the United States and Canada. Canada was always the third member on the committees, since war time, which dealt with atomic energy and the exchange of information. I wish to ask the minister whether the recent bilateral conversations which have taken place in Washington have interfered with the tripartite arrangement in any way. It has been a pretty healthy arrangement for Canada in the past.

Mr. SMITH (*Hastings-Frontenac*): Is the hon. member thinking of nuclear power for weapons?

Mr. PEARSON: I am thinking of the combined policy committee of the three powers which has been in existence for many years.

Mr. SMITH (*Hastings-Frontenac*): We had always, in Canada, been considered a third power along with the United Kingdom and the United States in these discussions. I have read in the paper about the bilateral complications at Washington between the British and the Americans and I wondered if these complications would interfere with this arrangement. I believe that Mr. Leger will answer.

Mr. LEGER: The short answer is no. The Minister of National Defence observed in the house that Canada would be included in any arrangement which might be agreed upon between the United Kingdom and the United States in respect of atomic energy. When the forthcoming NATO meeting is taking place we will then be clearer as to how those matters will look. In the meantime we are discussing various matters relating to the strengthening of NATO with friendly governments including the United States and the United Kingdom. They do not involve any exchange of information on atomic energy.

Mr. PEARSON: My other question on that subject is in connection with the United Nations agency for the use of atomic energy for peaceful purposes, which agency is now established at Vienna. I noticed some time ago that an American congressman was made director general of that organization. I am surprised at that because of the effect it would have on Russian participation.

I have read since that time that because of this American appointment the Russians have insisted that the executive committee of the organization should have functions of a type which will make it very difficult in the future for the agency to operate satisfactorily because the Russians on that committee would be sort of a watch dog and exercise vetoes over the activities of the secretary general or director general, or whatever he is called.

Mr. SMITH (*Hastings-Frontenac*): I had not heard that. I had heard, in the corridors of the United Nations, that there might be some anxiety, but everyone who knows this Mr. Cole, who is evidently a very gifted person, hoped that after a short while he would be able to build it up into a team.

Mr. PEARSON: He is, I believe, an extremely able man; but he is an American. I wondered how the Russians would actively cooperate in an organization which had an American as director general.

Mr. SMITH (*Hastings-Frontenac*): I believe this is one case in which they thought in terms of the person. This is another body under the auspices of the United Nations, and they have had one organizational meeting and will have another conference in 1958 I believe. This organization came into existence on July 29 and our representative is Mr. Wershof; he is our permanent delegate to the European office of the United Nations in Geneva. I heard an Indian scientist speaking and he was confident that this is one agency which will be highly successful.

If I may speak to my colleague—Mr. Leger, do they have anything to do with inspection into the use of uranium or nuclear material for peaceful uses?

Mr. LEGER: Yes, indeed. The purpose of the agency is as follows: to make uranium available through the agency to any of its members. Second, to make arrangements for the provision of technical information. Third, to provide assistance within the limits of its resources in the fields of technical assistance and training. This is one of the difficulties which the agency has already experienced; that the technical experts in that field do not come by the dozen. Even before the agency is set up they are already looking around in an attempt to find more experts in that field.

Mr. SMITH (*Hastings-Frontenac*): The government intends that Canada should play an active and constructive part in the work of this agency. It has already undertaken to make uranium available to members of the agency, through the agency, on the condition and subject to control that such material would be used only for peaceful purposes.

In time, as I see it Mr. Chairman, this could become an agency for economic development of underdeveloped countries if this nuclear power is further developed for civilian uses and exploited. But there is the question of training men. I understand there are at the present time some in Canada who are being prepared in connection with this nuclear reactor which has been established under the Colombo plan in India.

Mr. KNOWLES (*Winnipeg North Centre*): Perhaps we could leave the other questions over to another meeting.

## DEPARTMENT OF EXTERNAL AFFAIRS

## MAIN ESTIMATES 1957-58

*Informational Material*

This material is in two main parts, viz., comparison of the 1957-58 Estimates with those of 1956-57 with explanations of all substantial changes, and a series of Appendices comparing the 1957-58 Estimates with the expenditures of 1956-57 (estimated) and the actual expenditures of 1955-56.

## MAIN ESTIMATES 1957-58 COMPARED WITH 1956-57

No. of Vote	Service Totals	1957-58 \$	1956-57 \$	Increase \$	Decrease \$	No. of Vote
(S)	Minister's Salary and Motor Car Allowance.....	17,000	17,000			(S)
<i>A—Department and Missions Abroad</i>						
94	Departmental Admin.....	4,880,806	4,637,479	243,327		94
95	Passport Office.....	289,698	287,461	2,237		95
96	Representation Abroad— Operational.....	8,170,026	7,370,691	799,335		96
97	Representation Abroad— Capital.....	2,161,775	1,987,207	174,568		97
98	Official Hospitality.....	40,000	30,000	10,000		98
99	Relief and Repat.— Distressed Canadians.....	15,000	15,000			99
100	Representation at International Conferences.....	200,000	200,000			100
101	Grant to U.N. Assoc. in Canada.	11,000	11,000			101
102	Grant to Int. Red Cross.....	15,000	15,000			102
103	Grant to Can. Atl. Co-ord. Committee.....	2,500	2,500			103
104	Fellowships and Scholarships....	125,000	125,000			104
	A—Sub-total.....	15,910,805	14,681,338	1,229,467		
	A—Total Department and Missions Abroad.....	15,927,805	14,698,338	1,229,467		
<i>B—General</i>						
105	Assessment in Int. Organizations.	3,083,342	3,138,060		54,718	105
106	U.N. Exp. Prog. for Tech. Assist.....	1,927,500	1,798,875	128,625		106
107	U.N. Children's Fund.....	650,000	650,000			107
	B—Sub-total.....	5,660,842	5,586,935	73,907		
108	NATO Staff Assignments.....	49,338	35,484	13,854		108
109	NATO Headquarters Bldg.....	167,444	165,077	2,367		109
	B—Sub-total.....	216,782	200,561	16,221		



## STANDING COMMITTEE

No. of Vote	Service	1957-58 \$	1956-57 \$	Increase \$	Decrease \$	No. of Vote
<i>B—General (Continued)</i>						
110	ICAO Rental Assistance.....	200,165	200,543		378	110
111	ICAO Income Tax Assist.....	7,500	7,500			111
	B—Sub-total.....	207,665	208,043		378	
	Annuity to Mrs. H. Y. Roy.....	1,667	1,667			(S)
	B—Sub-total.....	1,667	1,667			
112	I.J.C.—Salaries and Expenses....	104,640	103,875	765		112
113	I.J.C.—Studies and Surveys.....	193,506	201,580		8,074	113
	B—Sub-total.....	298,146	305,455		7,309	
114	Colombo Plan.....	34,400,000	34,000,000			114
115	Assessment for Membership in I.C.E.M.....	203,155	209,534		6,379	115
116	Grant to U.N. Refugee Fund.....	200,000	125,000	75,000		116
117	Grant to UNRWA Near East....	750,000	500,000	250,000		117
118	International Commissions Indo-China.....	546,930	564,500		17,570	118
	Appropriations not required for 1957-58.....		1,001,400		1,001,500	
	B—Sub-total.....	36,100,085	36,800,434		700,349	
	B—Total, General.....	42,485,187	43,103,095		617,908	
SUMMARY						
	To be voted.....	58,394,325	57,782,766	611,559		
	Authorized by Statute.....	18,667	18,667			
	Total Estimates.....	58,412,992	57,801,433	611,559		

## REFERENCES

## 94—Departmental Administration—Increase \$243,327

	Increase \$	Decrease \$
(1) Salaries.....	125,316	—
(2) Allowances.....	—	300
(4) Professional and Special Services.....	3,320	—
(5) Courier Service.....	—	13,000
(5) Removal and Home Leave Expenses.....	88,325	—
(5) Other Travelling Expenses.....	10,000	—
(6) Freight, Express and Cartage.....	1,500	—
(7) Postage.....	—	—
(8) Carriage of Diplomatic Mail.....	—	10,000
(8) Telephones, Telegrams and Other Communication Services.....	—	—
(9) Publication of Departmental Reports and Other Material.....	20,500	—
(10) Displays, Films and Other Information Publicity.....	—	1,350
(11) Office Stationery, Supplies and Equipment.....	17,625	—
(12) Purchase of Publications for Distribution.....	—	16,000
(12) Materials and Supplies.....	—	750
(16) Acquisition of Equipment.....	—	107,059
(17) Repairs and Upkeep of Equipment.....	—	4,800
(19) Taxes on Diplomatic Properties in Ottawa Area.....	125,000	—
(22) Compensation to Employees for Loss of Effects.....	—	—
(22) Sundries.....	5,000	—
Total Increase.....	243,327	—

*94—(1) Salaries—Increase \$125,316*

This increase is due to the addition of 37 positions to the present establishment and to annual salary increments. The additions to staff include an increase of 13 in the Communications Division.

*94—(2) Allowances—Decrease \$300*

The special duties assigned to a Confidential Messenger for which he received a Terminable Allowance require the services of a full time junior clerk and no funds are therefore required for 1957-58 under this heading.

*94—(4) Professional and Special Services—Increase \$3,320*

This increase here results from increased requirements for Press News Services and the Medical Scheme for Foreign Service Personnel.

*94—(5) Courier Service—Decrease \$13,000*

A decrease for Courier Service is due for the most part to the fact that two of the services provided for were originally planned to operate on a bi-monthly basis but will now be operated monthly only. Also contributing to the decrease is the fact that with more experience in such operations costs can be estimated more closely.

*94—(5) Removal and Home Leave Expenses—Increase \$88,325*

This increase is required to cover the increased number of removals and postings in this fiscal year.

*94—(5) Other Travelling Expenses—Increase \$10,000*

The increase here results from the necessity of making provision for three inspection team trips abroad in 1957-58, rather than for two small ones as in 1956-57, and for additional travel requirements anticipated for this year.

*94—(6) Freight, Express and Cartage—Increase \$1,500*

The small increase here results from a re-estimation of the amount required here to bring it more into line with actual and anticipated costs.

*94—(8) Carriage of Diplomatic Mail—Decrease \$10,000*

The Department plans to introduce a new weekly courier service to London, Paris, Rome and posts in the Far East and it is thought that this will result in a reduction in the carriage of diplomatic mail.

*94—(9) Publication of Departmental Reports and Other Material—Increase \$20,500*

The increase results for the most part from provision for a much larger production of "Fact Sheets" (both in languages and in quantities). Provision is made here for the first time for the printing of the annual report of the Colombo Plan in French and for film catalogues previously printed within the Department.

*94—(10) Displays, Films and Other Informational Publicity—Decrease \$1,350*

Small increases and decreases in the amounts for the various items provided for herein result in a total decrease of \$1,350.

*94—(11) Office Stationery, Supplies and Equipment—Increase \$17,625*

The increase here reflects the rise in the requirements for such materials contemplated for 1957-58.

94—(12) *Purchase of Publications for Distribution—Decrease \$16,000*

A substantial reduction has been effected here by reducing the scale of our Special Book Presentation Programme pending further information on its effectiveness, and because of the reduction in the number of foreign language Canada handbooks which are being ordered this year.

94—(12) *Materials and Supplies—Decrease \$750*

The decrease results from a reduction, based on current expenditures, in the estimated amount required for the operation of departmental trucks from the amount requested in 1956-57 for this purpose.

94—(16) *Acquisition of Equipment—Decrease \$107,059*

The large decrease here was due to the necessity of providing funds in 1956-57 to cover orders placed in 1955-56 but on account of production delays not delivered in that year, as well as normal 1956-57 requirements.

94—(17) *Repairs and Upkeep of Equipment—Decrease \$4,800*

Due to a reduction in the number of teletype units being serviced under commercial contract a decrease in the amounts usually provided for this purpose is possible.

94—(19) *Taxes on Diplomatic Properties in Ottawa Area—Increase \$125,000*

Provision is being made by this Department for the first time for reimbursement to municipalities in the Ottawa Area for loss of general and school taxes on Embassy properties owned by foreign governments.

94—(22) *Sundries—Increase \$5,000*

Most of this increase is needed for storage of furniture of employees abroad due to the Department's policy of supplying household effects at some posts and an increase in the number of personnel going abroad. There is also a small increase in the amount provided for sundry items.

95—*Passport Office—Increase \$2,237*

	Increase \$	Decrease \$
(1) Salaries.....	2,393	—
(7) Postage.....	—	—
(11) Office Stationery, Supplies and Equipment.....	2,244	—
(11) Microfilming Supplies and Equipment.....	—	2,400
(22) Sundries.....	—	—
Total Increase.....	2,237	—

95—(1) *Salaries—Increase \$2,393*

The increase in salaries is due to the addition of three clerks to cope with the increasing demand for passports and one clerk to supervise the maintenance of a special card index.

95—(11) *Office Stationery, Supplies and Equipment—Increase \$2,244*

The additional amount required here is to cover an increase in the supply of the various forms required by the Passport Office as well as Passports and Certificates of Identity to meet the rise in requirements expected in 1957-58.



95—(11) *Microfilming Supplies and Equipment—Decrease \$2,400*

A reduction is possible as this year the work is being performed by members of the Passport Office staff. No provision for staff has, as was necessary in previous estimates, therefore to be made here for this work.

96—*Representation Abroad—Operational—Increase \$799,335*

	Increase \$	Decrease \$
(1) Salaries.....	179,373	—
(2) Allowances.....	268,159	—
(4) Professional and Special Services.....	4,559	—
(5) Travelling Expenses.....	9,720	—
(6) Freight, Express and Cartage.....	7,050	—
(7) Postage.....	6,220	—
(8) Telephones, Telegrams and Other Communication Services.....	39,770	—
(11) Office Stationery, Supplies and Repairs to Office Equipment.....	8,790	—
(12) Fuels for Heating and Other Materials and Supplies.....	9,544	—
(14) Repairs and Upkeep of Buildings and Works.....	142,000	—
(15) Rentals of Land, Buildings and Works.....	66,995	—
(17) Repairs and Upkeep of Equipment.....	33,370	—
(18) Rental of Equipment.....	—	1,435
(19) Municipal and Public Utility Services.....	11,750	—
(21) Benefits in Consideration of Personal Services.....	10,225	—
(22) Sundries.....	3,245	—
Total Increase.....	799,335	—

96—(1) *Salaries—Increase \$179,373*

The increase in "Salaries" is due to the increase in the establishment by 52½ positions. These additional positions include ones for security guards at various posts, ones resulting from the raising of our mission in Vienna to an Embassy and addition of positions in several posts because of an increase in the volume of work.

96—(2) *Allowances—Increase \$268,159*

This increase is due mainly to staff increases and upward reclassifications of positions recommended by the Establishments Review Committee.

96—(4) *Professional and Special Services—Increase \$4,559*

The increase here results mainly from increased requirements for legal services not chargeable to capital projects and tuition and examination fees.

96—(5) *Travelling Expenses—Increase \$9,720*

Several factors, including additional requirements for travel of Heads of Post of dual accreditation between the countries to which they are accredited and funds for offices in the U.S.A. for a possible Consular Conference in Washington in 1957, contribute to this increase.

96—(6) *Freight, Express and Cartage—Increase \$7,050*

The increase necessary here is due to several moves to new quarters contemplated by offices abroad during 1957-58.

96—(7) *Postage—Increase \$6,220*

A rise in the volume of mail being despatched by some posts together with increased postal rates in several countries has resulted in this increase.

96—(8) *Telephones, Telegrams and Other Communication Services—Increase \$39,770*

This increase is caused for the most part from the necessity of making provision for the larger volume of telegraphic traffic which has resulted from changes in the world situation.

96—(11) *Office Stationery, Supplies and Repairs to Office Equipment—Increase \$8,790.*

The increase here results mainly from the additional amount necessarily provided for repairs of office equipment and appliances. It is necessary to ensure the proper maintenance, upkeep and repair of the enlarged and better equipped posts abroad which we now possess.

96—(12) *Fuel for Heating and Other Materials and Supplies—Increase \$9,544*

Increases for the items provided for here reflect the expansion of various offices and of the activities of the Department throughout the world as well as rising costs of commodities in certain countries.

96—(14) *Repairs and Upkeep of Buildings and Works—Increase \$142,000*

The necessity of providing \$100,000 for the installation of partitions at Canada House, New York, and \$50,000 to carry out major alterations to additional Chancery premises which, it is hoped, can be obtained in Moscow, require a substantial increase for this item.

96—(15) *Rentals of Land, Buildings and Works—Increase \$66,995*

The increase here is explained by the fact that a number of leases will have to be re-negotiated during 1957-58—many of which were signed a number of years ago at which time rentals in most countries were very much less than at present.

96—(17) *Repairs and Upkeep of Equipment—Increase \$33,370*

The cost of upkeep of equipment is increasing as over the course of the past number of years the Department has been increasing its holdings abroad with the result that the inventory of furnishings and equipment is substantially larger than at any previous time.

96—(18) *Rental of Equipment—Decrease \$1,435*

Through the purchase of air conditioning units at some posts the number rented is being reduced.

96—(19) *Municipal and Public Utility Services—Increase \$11,750*

The increase here results mainly from the necessity of providing for a substantially larger payment than in 1956-57 to be made through the Canadian Embassy in Moscow to Burobin, the state agency which supplies certain services, including heat, to that office.

96—(21) *Benefits in Consideration of Personal Services—Increase \$10,225*

Reflected in the increase here is the necessity of making provision for retirement gratuities for two locally-engaged employees of our Washington Office.

96—(22) *Sundries—Increase \$3,245*

This increase results mainly from additional requirements for entertainment expenses granted to Chargé d'Affaires in connection with 1st of July celebrations and for the blanket fleet insurance covering our motor vehicles at posts abroad.

*97—Representation Abroad—Capital—Increase \$174,568*

	Increase \$	Decrease \$
(11) Office Furnishings and Equipment.....	70,368	—
(13) Acquisition, Construction and Improvement of Properties for Offices and Residences Abroad including Land.....	14,875	—
(16) Acquisition of Teletype Equipment and Furniture and Furnishings for Residences Abroad.....	22,997	—
(16) Procurement of Motor Vehicles and Other Equipment.....	11,175	—
(16) Basic Household Equipment and Furnishings for Staff Abroad.....	55,153	—
Total Increase.....	174,568	

*97—(11) Office Furnishings and Equipment—Increase \$70,368*

The increase here reflects the necessity of making provision for the introduction of Special Security Equipment at several posts abroad and office equipment for several expanded offices. Also contributing to the increase are several special furnishing projects which will have to be undertaken in 1957-58. These include the new NATO offices in Paris and both the Consulate General and the Permanent Mission of Canada to the United Nations offices in New York, which will be moving to the new Canada House building in that city.

*97—(13) Acquisition, Construction and Improvement of Properties for Offices and Residences Abroad including Land—Increase \$14,875*

Although the Unallotted amount has been decreased by \$100,000 there is a small increase here due principally to the fact that the Department will be involved in six building programmes in 1957-58 vs. four in 1956-57. These include construction of a new office building in Canberra (\$100,000), of an Ambassador's Residence in Brussels (\$250,000) and completion of a new office building in Paris (\$115,000).

*97—(16) Acquisition of Teletype Equipment and Furniture and Furnishings for Residences Abroad—Increase \$22,997*

An increase in the amount required for teletype equipment is necessary for 1957-58. Also required is an additional amount to cover the purchase of furnishings and equipment for Residences abroad. This results from the fact that furnishings and equipment in some of our older official residences now require replacing and in addition new Residences are being acquired for Heads of Posts who formerly have been living in rented furnished accommodation. An increase in the amount required for purchasing paintings has resulted from the fact that a large number of paintings in our official residences abroad are on loan from the National Art Gallery and now have to be returned.

*97—(16) Procurement of Motor Vehicles and Other Equipment—Increase \$11,175*

The increase here results mainly from increased requirements for special equipment. Although only \$5,000 was provided for this purpose in 1956-57, \$15,075 is required for 1957-58 to cover an emergency power generator plant for our office in New Delhi and a well, pump, pressure tank and ancillary equipment for the house owned by the Department in Havana, Cuba.

*97—(16) Basic Household Equipment and Furnishings for Staff Abroad—Increase \$55,153*

A large increase is required here as a number of our posts are being provided with security guards, some for the first time, and it is also planned to strengthen a number of offices with additional officer and administrative staff. Some of these personnel will have to be provided with furnished quarters in areas where furnished accommodation is in short supply.



*98—Official Hospitality—Increase \$10,000*

In view of Canada's increasing responsibilities in the world and the greater frequency with which visitors seek to come to this country the amount required for this vote has been steadily increasing. We therefore consider that at least the amount shown will be required during 1957-58 for this vote.

*105—Assessment for Membership in International Organizations—Decrease \$54,718*

	Increase \$	Decrease \$
United Nations Organization.....	—	121,014
Food and Agriculture Organization.....	—	2,167
International Labour Organization.....	12,191	—
U.N.E.S.C.O.....	37,686	—
International Civil Aviation Organization.....	778	—
World Health Organization.....	42,443	—
Commonwealth Economic Committee.....	3,474	—
Commonwealth Shipping Committee.....	199	—
General Agreement on Tariffs and Trade.....	—	579
North Atlantic Treaty Organization (Cost of Civil Administration).....	—	27,729
Total Decrease.....		54,718

*United Nations Organization—Decrease \$121,014*

The figure shown for this contribution was based on the latest information available when the 1957-58 Estimates were being prepared. Because of the delayed opening of the eleventh session of the General Assembly neither the budget nor the assessment rate had been finalized so only an estimated amount could be included. However, it was believed that there would be a reduction in Canada's assessment rate from 3.63% to 3.15%, making a decrease here possible.

*International Labour Organization—Increase \$12,191*

Although there is a decrease in Canada's assessment rate from 3.63% to 3.6% as a result of new members joining the organization, there is an increase in Canada's assessment due to ILO's increased budget. Part of this increased budget was on account of increased fixed costs such as staff leave allowances, salary increases and an extra ILO meeting.

*U.N.E.S.C.O.—Increase \$37,686*

This increase is caused in part by a proposed increase in the 1957 Budget of UNESCO and in part by a rise in the Canadian assessment from 2.77% to 3.08%. The increase in the budget includes an amount for partial repayment of the loan guaranteed by the French Government for the construction of the new permanent headquarters building.

*World Health Organization—Increase \$42,443*

The increase here is due for the most part to a rise in the gross assessment budget for 1957 over the 1956 one but also reflects a small rise in the Canadian assessment rate. Most of the increase in the budget arises from the expansion of the operational programme with particular reference to the field of malaria control.

*Commonwealth Economic Committee—Increase \$3,474*

A rise in the budget of this Committee for 1957 has resulted in an increase in the Canadian assessment for this year. This rise was necessary to meet the rising level of costs of the Committee's activities, brought about both by increases in its normal operating expenses and by the development and improvement of its work to increase its service to participating Commonwealth countries.

*North Atlantic Treaty Organization—Decrease \$27,729*

The decrease here results from the fact that it is believed the NATO civil budget for 1956 will be slightly less than the 1955 one, making the Canadian contribution based on the usual percentage rate smaller, and also because provision is made for only a 5% increase in the Canadian share rather than an anticipated 10% rise included in the 1956-57 Estimates.

*106—U.N. Expanded Programme for Technical Assistance to Under-Developed Countries—Increase \$128,625*

Provision is being made for an amount of \$2,000,000 U.S., an increase of \$200,000 over 1956-57 with the difference of approximately \$75,000 in the Canadian amounts being accounted for by the difference in exchange. Canada has gained considerable stature for the role it has played in the endeavour to extend and amplify the efforts of this programme and if we are to continue to occupy a prominent position in this field and encourage those countries who might be influenced by our action a token increase in our contribution is desirable.

*112—I.J.C.—Salaries and Expenses—Increase \$765*

	Increase \$	Decrease \$
(1) Salaries.....	4,115	—
(4) Reporters' Fees.....	—	—
(5) Travelling Expenses.....	—	1,000
(7) Postage.....	—	—
(8) Telephones and Telegrams.....	—	650
(10) Advertising of Public Hearings.....	—	200
(11) Office Stationery, Supplies and Equipment.....	—	1,000
(22) Sundries.....	—	500
Total Increase.....	765	—

*112—(1) Salaries—Increase \$4,115*

This increase is due to annual increases, and includes an increase for the Chairman, the addition of a stenographic position and the regrading of one clerical position.

*112—(5) Travelling Expenses—Decrease \$1,000*

The decrease here appears possible based on past and estimated future expenditures.

*112—(11) Office Stationery, Supplies and Equipment—Decrease \$1,000*

This decrease also, as in (5) above, appears possible based on past and estimated future expenditures.

*113—I.J.C.—Studies, Surveys and Investigations—Decrease \$8,074*

	Increase \$	Decrease \$
Canada's Share of an Investigation on the matter of air pollution in the vicinity of Detroit-Windsor.....	—	41,074
Studies and Surveys of the Mid-Western Watershed.....	—	5,000
Canada's share of the expenses on the Lake Ontario Water Levels Reference.....	—	15,000
Canada's share of the expenses of the St. John River Reference.....	—	7,000
Canada's share of the expenses of the St. Croix River Reference.....	—	40,000
Canada's share of the expenses of the Passamaquoddy Tidal Power Reference.....	100,000	—
Total Decrease.....	—	8,074

*Canada's Share of an Investigation on the matter of air pollution in the vicinity of Detroit-Windsor—Decrease \$41,074*

The decrease here results from reduced requirements due to the approaching conclusion of the investigation in question.

*Studies and Surveys of the Mid-Western Watershed—Decrease \$5,000*

It is possible to reduce the amount required for this Reference as a great deal of the engineering work has been done.

*Lake Ontario Water Levels Reference—Decrease \$15,000*

The work of the Lake Ontario Engineering Board in connection with this Reference is almost completed and, therefore, funds are only required here to ensure that improved methods of regulations are devised from time to time as the work in the St. Lawrence progresses.

*St. John River Reference—Decrease \$7,000*

A decrease is considered possible here as this Reference has not yet been as active as originally contemplated. However the funds requested are required as it is felt that it may become more active in 1957-58 and it is, therefore, necessary to ensure that all the information available will be at hand in that event.

*St. Croix River Reference—Decrease \$40,000*

The 1956-57 Estimate was made necessarily before the type and volume of work that this Reference would entail could be determined. The reduction now being made is due to a re-study of the requirements in the light of a full year's work on the reference.

*Passamaquoddy Tidal Power Reference—Increase \$100,000*

This is a new reference in 1957-58 and arises from the direction to the International Joint Commission to determine the estimated cost of developing the international tidal power potential of Passamaquoddy Bay.

*116—Grant to U.N. Refugee Fund—Increase \$75,000*

For several reasons including (1) the broader and more comprehensive programme begun by this Organization in 1955, (2) because Canada has been unable to accept for resettlement very many of the refugees who are the responsibility of the High Commissioner, and (3) because additional assistance is required in view of increased Soviet efforts to induce refugees who become discouraged to return to their country of origin and thus achieve an important objective for communist propaganda, provision is being made for an increase of \$75,000 in our grant in 1957-58.

*117—Grant to the U.N. Relief and Works Agency for Palestine Refugees—Increase \$250,000*

This Agency proposes to change its fiscal year to correspond to the calendar year—necessitating extending its present budgetary period from twelve to eighteen months. In order to continue Canada's contribution at the same yearly rate as for 1956-57 (\$500,000) it is therefore necessary to provide \$750,000, an increase of \$250,000, for this revised budgetary period.



118—*Participation in the International Commissions for Supervision and Control in Indo-China—Decrease \$17,570*

	Increase \$	Decrease \$
(1) Salaries.....	—	52,600
(2) Allowances.....	—	47,422
(4) Professional and Special Services.....	500	—
(5) Courier Service.....	—	9,000
(5) Travelling Expenses.....	—	18,000
(6) Freight, Express and Cartage.....	—	2,000
(7) Postage.....	—	—
(8) Telephones, Telegrams and Other Communication Services.....	110,000	—
(11) Office Stationery, Supplies and Equipment.....	1,000	—
(12) Materials and Supplies.....	—	—
(19) Municipal and Public Utility Services.....	—	—
(22) Sundries.....	—	48
Total Decrease.....		17,570

118—(1) *Salaries—Decrease \$52,600*

The decrease here is due to the fact that the establishment has been reduced by 12 positions due to the complete elimination of the establishment for the Electoral Commission and because of the decreased activity of the Commissions.

118—(2) *Allowances—Decrease \$47,422*

The decrease here also results from the reduction in staff which must be provided for in this vote.

118—(4) *Professional and Special Services—Increase \$500*

No provision was made for such services in the 1956-57 Estimates. However, it has been found necessary to authorize personnel to take language tuition at Government expense and provision must be made accordingly.

118—(5) *Courier Service—Decrease \$9,000*

The decreased amount shown here reflects a contemplated savings due to the proposed operation of this courier service over a different route.

118—(5) *Travelling Expenses—Decrease \$18,000*

As fewer personnel are being provided for than in 1956-57 in this Vote a reduction is possible for this item.

118—(6) *Freight, Express and Cartage—Decrease \$2,000*

With more experience in the operation of offices in Indo-China it is felt that the decrease made here is possible.

118—(8) *Telephones, Telegrams and Other Communication Services—Increase \$110,000*

The amount placed in the 1956-57 Estimates for this item was calculated on only one year's experience and based on present costs and volume has been found to be unrealistic. This large increase is, therefore, considered necessary.

Appropriations not required for 1957-58	1957-58 \$	1956-57 \$	Increase \$	Decrease \$
To provide for a contribution towards the erection of a monument at Steinkjer, Norway, in honour of the Arctic explorer, Otto Sverdrup.....	—	1,400	—	1,400
To provide, subject to the approval of the Treasury Board, assistance to the victims of the recent tragic events in Hungary.....	—	1,000,000	—	1,000,000
Total Decrease.....				1,001,400

The following sheets contain the detailed comparative statements as listed below:—

Appendix "A"—Comparison by Votes

Appendix "B"—Departmental Administration—Comparison by Primaries and Objects

Appendix "C"—Passport Office Administration—Comparison by Primaries and Objects

Appendix "D"—Representation Abroad—Operational Expenses—Comparison by Primaries

Appendix "E"—Representation Abroad—Operational and Capital—Comparison by Posts

Appendix "F"—Canadian Government's Assessment for Membership in International Organizations.

## APPENDIX "A"

## DEPARTMENT OF EXTERNAL AFFAIRS

## COMPARISON BY VOTES

Vote No.		1957-58	1956-57	1956-57	1955-56
		Main Estimates	Expenditures	Estimates	Expenditures
(S)	Secretary of State for External Affairs— Salary and Motor Car Allowance....	17,000	17,000	17,000	17,000
A—DEPARTMENT AND MISSIONS ABROAD					
94	Departmental Administration.....	4,880,806	4,347,570	4,637,479	3,403,108
95	Passport Office Administration.....	289,698	259,459	287,461	234,355
96	Representation Abroad—Operational....	8,170,026	7,251,161	7,370,691	6,497,693
97	Representation Abroad—Capital.....	2,161,775	1,281,806	1,987,207	1,655,522
98	To provide for Official Hospitality.....	40,000	46,679	30,000	41,987
99	To provide for Relief and Repatriation of Distressed Canadian Citizens abroad etc. (Part Recoverable)....	15,000	9,046	15,000	8,198
100	Canadian Representation at International Conferences.....	200,000	268,452	200,000	175,340
101	Grant to the United Nations Association in Canada.....	11,000	11,000	11,000	11,000
102	Grant to the International Committee of the Red Cross.....	15,000	15,000	15,000	15,000
103	Grant to the Canadian Atlantic Co- ordinating Committee.....	2,500	2,500	2,500	
104	To Authorize and Provide for Fellow- ships and Scholarships.....	125,000	112,144	125,000	118,211
		15,910,805	13,604,817	14,681,338	12,160,414
	Total, Department and Missions Abroad.....	15,927,805	13,621,817	14,698,338	12,177,414
B—GENERAL					
105	To Provide for the Canadian Govern- ment's Assessment for Membership in International (including Common- wealth) Organizations.....	3,083,342	5,544,099	3,138,060	2,949,199
106	To Provide for a Contribution to the United Nations Expanded Pro- gramme for Technical Assistance...	1,927,500	1,767,656	1,798,875	1,479,844
107	Contribution to the United Nations Children's Fund.....	650,000	650,000	650,000	500,000
		5,660,842	7,961,755	5,586,935	4,929,043
108	To Provide for Special Administrative Expenses, including Payment of Re- muneration, in connection with Canadians on N.A.T.O. Strength (Part Recoverable).....	49,338	21,970	35,484	16,680
109	To Provide for a Further Contribution towards the cost of constructing the N.A.T.O. Permanent Headquarters.	167,444	90,826	165,077	85,680
		216,782	112,796	200,561	102,360
110	To Provide I.C.A.O. with Office Accom- modation.....	200,165	200,543	200,543	201,870
111	To Provide for a payment to I.C.A.O. in part reimbursement of compen- sation paid to its Canadian employees for Quebec Income Tax for the 1956 taxation year.....	7,500	6,936	7,500	
		207,665	207,479	208,043	201,870



## APPENDIX "A"—(Concluded)

## DEPARTMENT OF EXTERNAL AFFAIRS—Continued

Vote No.	COMPARISON BY VOTES			
	1957-58 Main Estimates	1956-57 Expenditures	1956-57 Estimates	1955-56 Expenditures
PENSIONS AND OTHER BENEFITS				
(S) Annuity to Mrs. Helen Young Roy.....	1,667	1,667	1,667	1,667
INTERNATIONAL JOINT COMMISSION				
112 Salaries and Expenses of the Commission	104,640	89,031	103,875	94,274
113 To Provide for Canada's share of the Expenses of Studies, Surveys and Investigations of the I.J.C.....	193,506	71,417	201,580	68,812
Total—International Joint Commis- sion.....	298,146	160,448	305,455	163,086
TERMINABLE SERVICES				
114 Colombo Plan.....	34,400,000	34,400,000	34,400,000	26,400,000
115 Assessment for Membership in the Inter- Governmental Committee for Eu- ropean Migration.....	203,155	206,425	209,534	169,983
116 To Provide for a Grant to the United Nations Refugee Fund.....	200,000	125,000	125,000	125,000
117 Contribution to the United Nations Relief and Works Agency for Pales- tine Refugees in the Near East.....	750,000	500,000	500,000	
118 To Provide for the Cost of Canada's Participation as a Member of the International Commissions for Super- vision and Control in Indo-China....	546,930	423,882	564,500	415,691
Appropriations not required.....	—	2,477,233	1,001,400	199,473
Total Terminable Services.....	36,100,085	38,132,540	36,800,434	27,310,147
Total B—General.....	42,485,187	46,576,685	43,103,095	32,708,173
<i>Summary I</i>				
Total—A—Department and Missions Abroad.....	15,927,805	13,621,817	14,698,338	12,177,414
Total—B—General.....	42,485,187	46,576,685	43,103,095	32,708,173
GRAND TOTAL.....	58,412,992	60,198,502	57,801,433	44,885,587
<i>Summary II</i>				
To be Voted.....	58,394,325	60,179,835	57,782,766	44,866,920
Authorized by Statute.....	18,667	18,667	18,667	18,667
	58,412,992	60,198,502	57,801,433	44,885,587

## APPENDIX "B"—Vote 94

## DEPARTMENTAL ADMINISTRATION—COMPARISON BY PRIMARIES AND OBJECTS

		1957-58	1956-57	1956-57	1955-56
	Primary	Main Estimates	Expenditures	Estimates	Expenditures
<i>Salaries (1)</i>					
Permanent Positions.....		2,850,266	2,346,723	2,589,650	1,942,512
Less—Positions which will probably be vacant due to staff turnover.....		200,300		65,000	
TOTAL.....	(1)	2,649,966	2,346,723	2,524,650	1,942,512
<i>ALLOWANCES (2)</i>					
Allowances.....	(2)	—	300	300	300
<i>PROFESSIONAL AND SPECIAL SERVICES (4)</i>					
Legal Services.....		25,000	6,682	25,000	3,196
Press News Services.....		2,520	1,814	1,200	1,200
Other Professional and Special Services.....		13,000	15,307	11,000	7,993
Tuition and Examination Fees (Languages).....		2,000	923	2,000	1,427
TOTAL.....	(4)	42,520	24,726	39,200	13,816
<i>TRAVELLING AND REMOVAL EXPENSES (5)</i>					
Travelling Expenses and Transportation Costs.....		55,000	56,093	45,000	47,200
Removal and Home Leave Expenses.....		580,000	578,876	491,675	459,337
Courier Service.....		76,000	38,123	89,000	30,757
Local Transportation Costs.....			469		446
TOTAL.....	(5)	711,000	673,561	625,675	537,740
<i>FREIGHT, EXPRESS AND CARTAGE (6)</i>					
Freight, Express and Cartage....	(6)	17,000	12,931	15,500	11,714
<i>POSTAGE (7)</i>					
Postage.....	(7)	60,000	55,487	60,000	57,896
<i>TELEPHONES, TELEGRAMS &amp; OTHER COMMUNICATION SERVICES (8)</i>					
Telephones.....		7,000	9,210	7,000	6,353
Telegrams, Cables & Wireless....		114,168	221,525	150,000	108,048
Rental of Teletype Equipment....		81,540	91,957	101,540	86,044
Carriage of Diplomatic Mail.....		190,000	200,357	200,000	196,911
Grant to N.R.C.....		335,152	279,320	279,320	150,000
TOTAL.....	(8)	727,860	802,369	737,860	647,356

## APPENDIX "B"—Vote 94—(Concluded)

DEPARTMENTAL ADMINISTRATION—COMPARISON BY PRIMARIES AND OBJECTS					
		1957-58	1956-57	1957-56	1955-56
	Primary	Main Estimates	Expenditures	Estimates	Expenditures
PUBLICATION OF DEPARTMENTAL REPORTS & OTHER MATERIAL (9)					
“External Affairs” Monthly Bulletin.....		24,000	27,292	23,000	20,195
Canada Leaflet & Canada from Sea to Sea.....		51,000	8,277	50,000	4,132
Treaty Series.....		6,000	994	6,000	5,954
Other Publications.....		51,700	12,886	33,200	19,454
TOTAL.....	(9)	132,700	49,449	112,200	49,735
DISPLAYS, FILMS AND OTHER INFORMATIONAL MATERIAL (10)					
Photographs.....		19,200	20,493	23,450	19,435
Other Informational Material.....		31,100	14,536	28,200	16,307
TOTAL.....	(10)	50,300	35,029	51,650	35,792
OFFICE STATIONERY, SUPPLIES AND EQUIPMENT (11)					
Printing Office Forms, etc.....		33,000	13,519	30,000	14,972
Stationery, Office Supplies.....		91,250	67,899	79,750	56,432
Purchase of Office Equipment and Appliances.....		11,700	12,049	9,900	12,558
Subscriptions to Newspapers.....		7,500	7,113	7,000	7,274
Library Purchases.....		9,100	8,700	8,050	5,378
Microfilming.....		550	278	775	282
TOTAL.....	(11)	153,100	109,558	135,475	96,896
MATERIALS AND SUPPLIES (12)					
Gas & Oil for Motor Vehicles....		750	657	1,500	620
Publications for distribution.....		35,000	34,530	51,000	21,666
Other Materials and Supplies.....		10,000	12,975	10,000	12,180
TOTAL.....	(12)	45,750	48,162	62,500	34,466
ACQUISITION OF EQUIPMENT (16)					
Motor Vehicles.....		—	—	—	—
Teletype Equipment.....		79,210	111,441	186,269	1,236
TOTAL.....	(16)	79,210	111,441	186,269	1,236
REPAIRS AND UPKEEP OF EQUIPMENT (17)					
Repairs & Upkeep of Motor Vehicles.....		1,400	1,047	1,200	620
Repairs & Upkeep of Teletype Equipment.....		40,000	25,724	45,000	34,681
TOTAL.....	(17)	41,400	26,771	46,200	35,301
TAXES ON DIPLOMATIC PROPERTIES IN OTTAWA AREA (19)					
Taxes on Diplomatic Properties in Ottawa Area.....	(19)	125,000	—	—	—
SUNDRIES (22)					
Profit and Loss on Exchange.....		1,500	11,535	1,500	—
Compensation for Personal effects lost in travel.....		10,000	2,952	10,000	6,461
Sundry Supplies and Services....		33,500	36,576	28,500	31,887
TOTAL.....	(22)	45,000	51,063	40,000	38,348
GRAND TOTALS.....		4,880,806	4,347,570	4,637,479	3,403,108



## APPENDIX "C"—Vote 95

## PASSPORT OFFICE ADMINISTRATION—COMPARISON BY PRIMARIES AND OBJECTS

	Primary	1957-58	1956-57	1956-57	1955-56
		Main Estimates	Expenditures	Estimates	Expenditures
SALARIES (1)					
Salaries.....	(1)	179,598	162,805	177,205	146,972
POSTAGE (7)					
Postage.....	(7)	25,000	19,000	25,000	18,500
OFFICE STATIONERY, SUPPLIES AND EQUIPMENT (11)					
Microfilming Supplies.....		3,200	2,140	5,600	839
Printing, Office Forms, etc.....		78,950	68,574	75,470	66,455
Stationery & Office Supplies.....		2,125	3,574	2,185	658
Purchase of Office Equipment etc.		550	3,196	1,726	829
TOTAL.....	(11)	84,825	77,484	84,981	68,781
SUNDRIES (22)					
Sundry Supplies and Services.....	(22)	275	170	275	102
GRAND TOTAL.....		289,698	259,459	287,461	234,355

## APPENDIX "D"—Vote 96

## REPRESENTATION ABROAD—OPERATIONAL EXPENSES—COMPARISON BY PRIMARIES

	Primary	1957-58	1956-57	1956-57	1955-56
		Main Estimates	Expenditures	Estimates	Expenditures
Salaries and Wages.....	(1)	3,587,490	3,350,662	3,408,117	2,940,599
Allowances for living including costs of representation.....	(2)	1,226,317		1,093,669	
Allowances to meet higher cost of living abroad.....	(2)	1,285,425	2,292,291	1,149,914	2,066,593
Professional and Special Services.....	(4)	80,180	66,863	75,621	49,846
Travelling Expenses.....	(5)	100,235	87,038	90,515	77,005
Freight, Express & Cartage.....	(6)	50,000	57,433	42,950	38,294
Postage.....	(7)	47,205	46,851	40,985	35,357
Telephones, Telegrams & Other Communication Services.....	(8)	281,950	248,441	242,180	170,551
Office Stationery, Supplies & Equipment.....	(11)	151,390	126,695	142,600	174,834
Fuel for Heating & Other Materials & Supplies.....	(12)	154,519	134,621	144,975	117,122
Repairs & Upkeep of Buildings & Works.....	(14)	288,050	96,995	146,050	112,613
Rentals of Land, Buildings & Works..	(15)	583,515	508,033	516,520	501,782
Repairs & Upkeep of Equipment.....	(17)	126,130	59,851	92,760	50,494
Rental of Equipment.....	(18)	1,065	4,704	2,500	3,988
Municipal & Public Utility Services..	(19)	127,150	98,290	115,400	90,436
Benefits, etc.....	(21)	42,580	34,244	32,355	33,247
Sundries.....	(22)	36,825	38,149	33,580	34,932
GRAND TOTALS.....		8,170,026	7,251,161	7,370,691	6,497,693

## APPENDIX "E"

## REPRESENTATION ABROAD—OPERATIONAL AND CAPITAL—COMPARISON BY POSTS

DIPLOMATIC MISSIONS		1957-58	1956-57	1955-57	1955-56
		Main Estimates	Expenditures	Estimates	Expenditures
		\$	\$	\$	\$
Argentina.....	Operational	125,550	97,603	125,727	101,686
	Capital	45,315	1,898	56,322	6,315
		170,865	99,501	182,049	108,001
Australia.....	OP	120,457	114,240	117,287	97,055
	CAP	121,335	13,879	21,490	14,558
		241,792	128,119	138,777	111,613
Austria.....	OP	99,283	76,511	66,257	54,339
	CAP	30,550	17,693	56,250	1,565
		129,833	94,204	122,507	55,904
Belgium.....	OP	188,222	164,552	182,648	146,595
	CAP	279,218	72,488	21,056	5,732
		467,440	237,040	203,704	152,327
Brazil.....	OP	126,730	122,334	106,848	106,583
	CAP	22,845	24,336	39,192	89,492
		149,575	146,670	146,040	196,075
Ceylon.....	OP	90,781	84,628	89,140	83,061
	CAP	25,720	10,474	23,400	6,219
		116,501	95,102	112,540	89,280
Chile.....	OP	76,510	70,273	61,354	54,901
	CAP	10,540	6,662	10,058	6,348
		87,050	76,935	71,412	61,249
China—Nanking.....	OP	8,470	6,017	6,305	5,081
Colombia.....	OP	82,272	59,055	87,695	70,725
	CAP	7,885	5,955	7,157	3,576
		90,157	65,010	94,852	74,301
Cuba.....	OP	90,983	85,343	87,640	84,785
	CAP	11,005	4,717	4,990	4,466
		101,988	90,060	92,630	89,251
Czechoslovakia.....	OP	137,375	97,181	136,502	105,925
	CAP	3,145	3,263	2,775	1,105
		140,520	100,444	139,277	107,030
Denmark.....	OP	101,468	80,285	90,549	71,418
	CAP	5,235	4,776	2,925	6,654
		106,703	85,061	93,474	78,072
Dominican Republic.....	OP	44,536	36,964	34,345	31,987
	CAP	5,725	3,145	4,360	3,914
		50,261	40,109	38,705	35,901
Egypt.....	OP	138,493	139,941	107,850	86,307
	CAP	21,545	73,414	32,500	4,256
		160,038	213,355	140,350	90,563

## APPENDIX "E"—Continued

## REPRESENTATION ABROAD—OPERATIONAL AND CAPITAL—COMPARISON BY POSTS—Continued

DIPLOMATIC MISSIONS		1957-58	1956-57	1956-57	1955-56
		Main	Expenditures	Estimates	Expenditures
		Estimates			
		\$	\$	\$	\$
Finland.....	OP	58,418	53,223	51,911	45,853
	CAP	2,635	646	3,490	8,522
		61,053	53,869	55,401	54,375
France.....	OP	551,569	423,472	478,681	405,823
	CAP	176,787	277,605	264,845	75,310
		728,356	701,077	743,526	481,133
France—NAC and OEEC.....	OP	273,806	267,627	259,696	254,038
	CAP	16,000	3,071	2,220	8,716
		289,806	270,698	261,916	262,754
Germany—Berlin.....	OP	31,090	29,848	31,433	28,975
	CAP	1,750	2,207	425	2,232
		32,840	32,055	31,858	31,207
Germany—Bonn.....	OP	248,952	243,226	208,360	191,958
	CAP	28,405	25,820	8,240	8,773
		277,357	269,046	216,600	200,731
Greece.....	OP	136,305	110,924	129,178	96,511
	CAP	6,675	4,820	6,500	3,392
		142,980	115,744	135,678	99,903
Haiti.....	OP	57,585	44,158	49,435	50,505
	CAP	4,150	1,525	5,700	752
		61,735	45,683	55,135	51,257
India.....	OP	265,513	204,893	231,756	200,652
	CAP	111,127	19,175	53,675	24,256
		376,640	224,068	285,431	224,908
Indonesia.....	OP	106,744	88,883	88,053	60,725
	CAP	27,510	14,246	7,681	13,186
		134,254	103,129	95,734	73,911
Ireland.....	OP	68,190	56,538	60,663	49,079
	CAP	16,390	69,132	4,987	9,020
		84,580	125,670	65,650	58,099
Israel.....	OP	97,756	67,063	77,416	60,932
	CAP	6,696	1,101	9,184	2,931
		104,452	68,164	86,000	63,863
Italy.....	OP	191,284	179,895	181,271	167,432
	CAP	12,978	70,004	21,961	399,698
		204,262	249,899	203,232	567,130
Japan.....	OP	287,049	236,578	254,142	235,154
	CAP	24,810	63,203	106,405	342,055
		311,859	299,779	360,547	577,209
Lebanon.....	OP	87,951	73,233	57,704	59,976
	CAP	33,160	6,813	10,284	3,816
		121,111	80,046	67,988	63,792



## APPENDIX "E"—Continued

## REPRESENTATION ABROAD—OPERATIONAL AND CAPITAL—COMPARISON BY POSTS—Continued

DIPLOMATIC MISSIONS		1957-58	1956-57	1956-57	1955-56
		Main Estimates	Expenditures	Estimates	Expenditures
		\$	\$	\$	\$
Mexico.....	OP CAP	119,368 7,739	104,735 7,690	107,458 3,047	97,638 5,530
		127,107	112,425	110,505	103,168
The Netherlands.....	OP CAP	163,846 14,063	152,496 168,853	152,237 93,460	120,842 191,039
		177,909	322,349	245,697	311,881
New Zealand.....	OP CAP	78,936 3,390	73,484 3,488	78,643 12,800	73,841 4,837
		82,326	76,972	91,443	78,678
Norway.....	OP CAP	103,069 19,650	88,187 39,444	98,580 19,750	84,870 200,690
		122,719	127,631	118,330	285,560
Pakistan.....	OP CAP	158,983 35,535	132,343 18,519	159,069 18,060	120,957 45,247
		194,518	150,862	177,129	166,204
Peru.....	OP CAP	70,136 5,120	61,346 6,785	65,354 5,165	61,202 17,970
		75,256	68,131	70,519	79,172
Poland.....	OP CAP	186,140 16,180	135,193 4,759	151,828 5,075	124,628 4,741
		202,320	139,952	156,903	129,369
Portugal.....	OP CAP	93,538 25,830	69,288 11,508	76,373 58,159	68,260 11,981
		119,368	80,796	134,532	80,241
South Africa.....	OP CAP	86,964 14,320	83,961 4,725	83,937 3,550	76,016 4,734
		101,284	88,686	87,487	80,750
Spain.....	OP CAP	122,114 11,108	100,673 8,727	114,311 9,894	90,804 2,000
		133,222	109,400	124,205	92,804
Sweden.....	OP CAP	86,536 4,610	81,282 5,444	80,428 6,525	70,635 4,318
		91,146	86,726	86,953	74,953
Switzerland.....	OP CAP	89,970 11,950	84,439 3,918	76,830 10,033	80,963 3,130
		101,920	88,357	86,863	84,093
Turkey.....	OP CAP	157,162 9,990	127,775 4,050	137,919 11,900	113,640 7,382
		167,152	131,825	149,819	121,022
U.S.S.R.....	OP CAP	404,136 46,600	322,940 14,893	310,031 15,320	274,784 4,862
		450,736	337,833	325,351	279,646

## APPENDIX "E"—Continued

## REPRESENTATION ABROAD—OPERATIONAL AND CAPITAL—COMPARISON BY POSTS—Continued

DIPLOMATIC MISSIONS		1957-58	1956-57	1956-57	1955-56
		Main			
		Estimates	Expenditures	Estimates	Expenditures
		\$	\$	\$	\$
United Kingdom.....	OP CAP	586,690	459,011	513,812	389,639
		17,297	24,719	14,400	7,670
		603,987	483,730	528,212	397,309
P.M.U.N. Switzerland.....	OP CAP	146,063	107,023	129,273	66,564
		11,890	45,944	17,205	3,733
		157,953	152,967	146,478	70,297
P.M.N.U. New York.....	OP CAP	164,817	153,265	136,476	129,048
		26,720	22,102	42,750	5,917
		191,537	175,367	179,226	134,965
U.S.A.....	OP CAP	509,850	469,788	483,068	441,106
		16,000	15,950	14,046	8,821
		525,850	485,738	497,114	449,927
Uruguay.....	OP CAP	36,923	21,823	42,193	38,314
		4,475	929	1,580	1,225
		41,398	22,752	43,773	39,539
Venezuela.....	OP CAP	139,368	132,412	133,657	118,639
		8,835	3,737	3,287	2,216
		148,203	136,149	136,944	120,855
Yugoslavia.....	OP CAP	120,491	75,143	127,445	81,769
		10,305	5,787	4,245	19,803
		130,796	80,930	131,690	101,572
TOTAL DIPLOMATIC MISSIONS		8,899,185	7,576,132	7,877,091	7,346,925

## APPENDIX "E"—Continued

REPRESENTATION ABROAD—OPERATIONAL AND CAPITAL—COMPARISON BY POSTS—Continued

CONSULATES		1957-58	1956-57	1956-57	1955-56
		Main Estimates	Expenditures	Estimates	Expenditures
		\$	\$	\$	\$
Boston.....	OP	100,907 800	88,009 1,038	90,828 1,750	83,250 351
		101,707	89,047	92,578	83,601
Chicago.....	OP CAP	121,835 12,250	97,134 10,872	105,997 4,084	99,372 16,649
		134,085	108,006	110,081	116,021
Detroit.....	OP CAP	15,666	10,092	15,103 425	8,135
		15,666	10,094	15,528	8,135
Hamburg.....	OP CAP	14,298	6,269 219		
			6,488		
Los Angeles.....	OP CAP	122,263 5,900	105,867 3,723	100,467 3,365	89,816 493
		128,163	109,590	103,832	90,309
Manila.....	OP	775	922	675	628
New Orleans.....	OP CAP	77,535 2,165	63,846 4,164	59,508 1,575	24,810 9,448
		79,700	68,010	61,083	34,258
New York.....	OP CAP	480,967 38,417	316,688 22,483	289,206 5,590	272,241 9,726
		519,384	339,171	294,796	281,967
Portland.....	OP	1,500	1,459	1,500	1,489
San Francisco.....	OP CAP	112,187 7,400	100,888 5,615	107,326 5,770	93,466 2,058
		119,587	106,503	113,096	95,524
Sao Paulo.....	OP CAP	9,696 200	8,843 194	7,683	5,800
		9,896	9,037	7,683	5,800
Seattle.....	OP CAP	97,655 8,900	90,329 9,457	91,275 1,325	75,240 2,092
		106,555	99,786	92,600	77,332
Shanghai.....	OP		36	2,625	127



## APPENDIX "E"—Concluded

## REPRESENTATION ABROAD—OPERATIONAL AND CAPITAL—COMPARISON BY POSTS—Concluded

		1957-58	1956-57	1956-57	1955-56
		Main	Expenditures	Estimates	Expenditures
		Estimates			
		\$	\$	\$	\$
Miscellaneous Unallotted to					
Missions.....	OP		8,686		11,099
	CAP				
TOTAL CONSULATES...		1,231,316	956,835	896,077	806,290
Unallotted Capital Items....		705,000		805,000	
GROSS TOTAL.....		10,835,501	8,532,967	9,578,168	8,153,215
Less amount by which Salaries					
& Allowances will probably					
fall short of Estimates.....		503,700		220,270	
GRAND TOTAL.....		10,331,801	8,532,967	9,357,898	8,153,215
Recapitulation					
Operational Expenses.....		8,170,026	7,251,161	7,370,691	6,497,693
Capital Items.....		2,161,775	1,281,806	1,987,207	1,655,522
		10,331,801	8,532,967	9,357,898	8,153,215

## APPENDIX "F"

## CANADIAN GOVERNMENT'S ASSESSMENT FOR MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS

Organization	Year	Budget	Amount	Percentage	Contribution of member States to 1957 budget
United Nations	1953	44,200,000 U.S.	1,406,884 U.S.	3.30%	U.S.A. .... 33.33%
	1954	41,300,000 U.S.	1,321,184 U.S.	3.30%	U.S.S.R. .... 13.96%
	1955	39,640,000 U.S.	1,438,932 U.S.	3.63%	U.K. .... 7.81%
	1956	48,330,000 U.S.	1,433,930 U.S.	3.63%*	France .... 5.70%
	1957	48,504,640 U.S.	1,527,897 U.S.	3.15%	China .... 5.14%
					Canada .... 3.15%
*Less \$162,112 re New Members which is \$1,596,042					
Food and Agriculture Organization (FAO) ...	1953	5,200,000 U.S.	246,568 U.S.	4.76%	U.S.A. .... 31.5%
	1954	5,925,000 U.S.	338,346 U.S.	5.71%	U.K. .... 10.87%
	1955	5,890,000 U.S.	335,141 U.S.	5.69%	France .... 7.91%
	1956	6,460,000 U.S.	297,806 U.S.	4.61%	Germany (Fed. Rep.) .... 5.85%
	1957	6,650,000 U.S.	306,565 U.S.	4.61%	Canada .... 4.61%
International Labour Organization (ILO) ...	1953	6,469,085 U.S.	216,159.00 U.S.	3.98%	U.S.A. .... 25.0%
	1954	6,556,887 U.S.	234,566.35 U.S.	3.98%	U.K. .... 10.44%
	1955	6,990,913 U.S.	270,206.11 U.S.	3.98%	U.S.S.R. .... 10.0%
	1956	7,395,729 U.S.	235,021.49 U.S.	3.63%*	France .... 6.18%
	1957	7,617,708 U.S.	256,357.67 U.S.	3.60%	Germany (Fed. Rep.) .... 4.35%
					Canada .... 3.60%
*Less \$33,443 representing a credit held by I.L.O.					
International Civil Aviation Organization (ICAO)	1953	3,259,384 Can.	138,980 Can.	4.93%	U.S.A. .... 500 Units
	1954	3,200,000 Can.	136,765 Can.	5.40%	U.K. .... 145 Units
	1955	3,225,100 Can.	126,463 Can.	5.00%	France .... 111 Units
	1956	3,313,451 Can.	128,409 Can.	4.80%	Germany .... 68 Units
	1957	3,567,732 Can.	129,187 Can.	4.20%*	Canada .... 63 Units
*Plus \$384 re Canada's share of a supplementary appropriation for 1955 expenses					
U.N. Educational, Scientific and Cultural Organization (UNESCO)	1953	8,538,551 U.S.	336,039 U.S.	3.53%	U.S.A. .... 33.33%
	1954	9,461,449 U.S.	334,935 U.S.	3.54%	U.S.S.R. .... 13.96%
	1955	9,491,420 U.S.	262,912 U.S.	2.77%	U.K. .... 7.81%
	1956	10,508,580 U.S.	291,088 U.S.	2.77%	France .... 5.70%
	1957	11,069,811 U.S.	340,951 U.S.	3.08%	China .... 5.14%
					Canada .... 3.08%

World Health Organization (WHO).....	1953	8,980,200 U.S.	268,854 U.S.	2.99%	U.S.A.....	29,95 Units
	1954	8,963,000 U.S.	268,340 U.S.	3.00%	U.K.....	1179 Units
	1955	10,049,360 U.S.	300,280 U.S.	2.99%	U.S.S.R.....	1244 Units
	1956	10,778,824 U.S.	326,820 U.S.	3.06%	France.....	706 Units
	1957	11,051,760 U.S.	382,940 U.S.	3.46%	Germany (Fed. Rep.).....	450 Units
					Canada.....	398 Units
General Agreement on Tariffs and Trade (GATT)	1953	353,650 U.S.	15,000 U.S.	4.27%	U.K.....	20 Units
	1954	351,000 U.S.	15,000 U.S.	4.27%	U.S.A.....	20 Units
	1955	351,000 U.S.	15,000 U.S.	4.27%	France.....	7 Units
	1956	383,500 U.S.	16,250 U.S.	4.24%	Canada.....	5 Units
	1957	383,500 U.S.	16,250 U.S.	4.24%		



## "APPENDIX B"

NEW YORK, December 3, 1957.

## STATEMENT BY THE HONOURABLE ELLEN FAIRCLOUGH

## ON

## THE ECONOMIC DEVELOPMENT OF UNDERDEVELOPED COUNTRIES

Mr. Chairman, I am grateful for this opportunity of participating in the discussions of the second committee of the UN General Assembly. The problem of the economic development of underdeveloped countries is one in which I personally have long been keenly interested, and I am therefore particularly glad to be able to present for the consideration of the committee some of the views of the Canadian Government, of which I have the honour to be a member, on this important matter.

I understand that there are some differences of opinion in this committee regarding the role that the UN can usefully play in the provision of economic assistance to the less-developed countries. I am glad to note, however, that there are some aspects of the problem on which there is general agreement—I might say, almost complete unanimity. It is a fact that the less-developed countries need assistance of various kinds in order to provide improved conditions for their people; and I hope that there is agreement among the delegations representing more developed countries, that it is in their own interest—politically and economically—that something should be done to assist the less-developed countries to their economies.

Although what I have said doubtless represents the views of many governments here represented, I can speak only in the name of my own Government. I can assure the delegations here represented that the Government of Canada is convinced of the desirability, from every point of view, of contributing as much as it reasonably can to programmes of economic assistance to countries less favourably placed than our own.

In 1953 the Canadian delegation supported the resolution which recognized in principle that a special UN fund for economic development should be established when sufficient progress had been made in internationally supervised worldwide disarmament. The view of the Canadian Government at that time was that its final decision on a fund of this kind would depend in large measure on whether it was satisfied that the organizational and administrative arrangements were such as to lead to efficient operation and that the fund would command sufficient support to enable it to operate effectively. The views of my government, Mr. Chairman, are substantially the same unless the major contributors to such a fund are prepared to make substantial contributions—and it is quite clear that they are not—we do not think that a large-scale capital assistance fund could be created to do what is apparently expected of it.

The flexibility of the expanded programme of technical assistance depends to a great extent on the convertibility of contributions. Without substantial financial resources in fully convertible currency, and new economic aid programme would have great difficulty in conducting its operations. This is another way of saying that, in practice, U.S.A. participation in any new programme is essential.

Members of this committee are well aware of the financial support that Canada has given to the expanded programme of technical assistance, to the

UN Korean Reconstruction Agency, to the UN Children's Fund and to the various refugee funds. Most members will also be aware that since the end of World War II Canada has been making substantial contributions through other channels to the economic development of other countries. Prime Minister Diefenbaker recently announced the decision of the Canadian Government to seek parliamentary approval for economic assistance to the value of \$35 million through the Colombo Plan in the next fiscal year; and for a contribution of \$2 million to the UN expanded programme of technical assistance. These are substantial sums, Mr. Chairman, in relation to the other demands on the Canadian budget.

Every government in the world has to tax its people in order to maintain certain services that the people themselves demand: and in elaborating its budget every government in the world has to make difficult choices—whether to increase or reduce taxes, whether to expand or reduce certain services, whether to embark on a proposed new project or not, whether to spend money at home or abroad. In recent years our government has decided to ask parliament to levy sufficient taxes to enable it to provide a certain measure of economic assistance to other countries. This is a matter of policy on which governments, of whatever political party, have obtained a wide measure of support in parliament and among the people. The Canadian Government, in making recommendations to Parliament, has been motivated by moral, political and economic considerations. When I speak of moral consideration I have in mind a belief that we have a responsibility to help nations less fortunate than ourselves. When I speak of political considerations I have in mind a belief that by helping to bring about improvement of the economic conditions of peoples in other parts of the world we are thereby assisting in the reduction of tension and in the safeguarding of peace. When I speak of economic considerations I have in mind a belief that world prosperity, including our own, will increase as that of the less developed countries increases.

It seems to the Canadian delegation that in our consideration of the problems related to the financing of the economic development of the less-developed countries, we should be careful to maintain a proper perspective. How is economic development financed? The most important single contribution is made by the peoples of the less-developed countries themselves. Unfortunately, as we in Canada also know, the domestic capital that may have been produced at great sacrifice frequently varies considerably from year to year depending on fluctuating world prices of a few primary commodities. I believe that this point was discussed recently by the distinguished delegate of Colombia, and it was mentioned in an earlier debate by the distinguished delegate of Brazil and by others:

Another very important source of capital for the economic development of the less developed countries is private investment capital. The flow of private capital to the less developed countries is worthy of our close attention and our detailed study. We understand the pride with which the so called less developed countries rightfully insist on maintaining control over and responsibility for their own economic development. There is, however, an important role for private capital to play, as the economic history of my own country so clearly demonstrates. I would not be reflecting my government's views if I did not stress the advantages which this type of investment can bring.

Another important source of capital for development of the less developed countries is bilateral economic aid in the form of loans or grants. In this connection we have to recognize that some governments and parliaments prefer that a greater or a lesser proportion of their economic assistance to other countries should be given bilaterally. In this committee we can only assume, Mr. Chairman, that the decisions taken by governments to provide bi-

lateral assistance and the decisions of governments to receive bilateral assistance are not within our competence. The important thing is that substantial economic aid resources are being provided outside the UN framework. Detailed info may be found in that invaluable do, E/3047, to which other delegations have referred. As our Norwegian colleague has pointed out, there can be varying degrees of cooperation between the various types of programmes.

Now I come to what has frequently been called, in this committee and elsewhere, multilateral assistance. Some of this assistance is now being provided through UNICEF and UNKRA and also in the form of loans by the international bank or by the internal finance corporation. The technical assistance provided by the United Nations and the specialized agencies out of their regular budgets, and the technical assistance provided through the expanded programme, are also in the category of genuinely multilateral assistance. The Canadian delegation has always strongly supported these multilateral UN programmes.

Mr. Chairman, we have two new proposals before us for an increase of multilateral assistance through the UN. One of these proposals contemplates the establishment of an economic development fund whose object would be to make assistance available for large scale capital projects. It has generally been considered that it would be desirable to have at least \$250 million a year for a capital assistance fund of this kind and some estimates are much higher. As I suggested earlier there does not appear to be any immediate prospect of raising such a sum. In present circumstances therefore, my delegation could not support the establishment of such a fund. I should make it clear also that we do not consider that it would be appropriate to create the necessary machinery for administering a large scale capital aid fund and to carry out a few sample projects to demonstrate that such a fund would be a feasible proposition if the necessary money should become available. To do so would be to incur heavy administrative costs and to raise expectations that could not be satisfied.

The other proposal—that of the delegation of the USA—provides for an amplification of the expanded programme of technical assistance in size and in concept. So far as size is concerned, the USA proposal envisages an expansion in these and related types of economic assistance from the present level of about \$31 million to a level of \$100 million. The USA proposal suggests that part of the new money to become available should be devoted to resources surveys, the establishment of training institutes and other “special projects”.

With these two proposals before us, Mr. Chairman, let us consider the various courses of action that are open to this committee and to the General Assembly. One possible course of action would be for the committee to adopt only the elevenpower proposal for the establishment of a capital assistance fund. I have already indicated our view that it would not be desirable to adopt the elevenpower resolution at this time.

Some delegations have said that, if both of the proposals before us should be pressed to a vote, they would vote in favour of both of them. My delegation considers that the UN would lay itself open to severe criticism if it were to adopt both resolutions in their present form. The results would be that a programme embracing the existing expanded programme of technical assistance and a related “special projects” programme would be inadequately supported; and that a capital assistance fund would be established with only very small and insufficient resources. Nobody would be satisfied, a good deal of money would be wasted on conflicting administrations, and political differences would be exaggerated.



Another possibility would be for the assembly to adopt a resolution which would shape the USA initiative into a generally acceptable proposal. In this connection the most important aspect of the USA suggestion is the proposed special projects programme which would significantly broaden the base of present UN economic aid programmes. The Canadian government believes that this course offers a basis for providing more economic assistance through the UN than is now being given to the less developed countries. Mr. Chairman, I have been authorized to inform this committee that if there should be general agreement on such a course, and if suitable organizational arrangements are eventually made, the Canadian government would give sympathetic consideration to seeking parliamentary approval of an appropriate contribution.

Having said this, I should now like to try to demonstrate to the committee that the two resolutions that we have before us have a good deal in common, and that, if goodwill prevails, it should be possible to arrive at a generally acceptable compromise. Perhaps I might best do this by discussing certain questions that have been raised by various delegations both in the committee and outside it. What is meant by technical assistance and by capital assistance? Some take the view that technical assistance embraces the provision of experts and the arrangement of fellowships and scholarships, and that capital assistance is assistance for the construction of major capital projects. There is, however, a wide area between these two definitions. If a technical assistance expert is provided with a microscope and some research equipment to enable him to carry out his project effectively, is that still technical assistance? At what point does the provision of equipment become capital assistance? If in connection with some major project it is found necessary to send experts to help install equipment, supervise its maintenance, and train technicians in its use, should this type of assistance be separated from the cost of the capital goods involved?

Some delegations have suggested that the programme proposed by the USA would merely provide plans and would therefore be perhaps worse than useless. I think our colleague from Guatemala dealt with this point very satisfactorily when he said that the assistance provided could and should in each case be fitted into an economic development programme. It is obvious, I think, that this should be so. If assistance were to be limited to the preparation of plans for schemes on which no action would be taken until a large scale uncapped aid fund was established the Canadian Delegation would vote against the proposal. We find it difficult to believe, however, that governments would request assistance for projects leading up to large scale projects which they had no hope of financing, or for projects totally unrelated to their present overall economic development programme. In this connection I would like to recall that, towards the end of his statement presenting the USA proposals, Dr Judd commented that one of the primary aims of the USA initiative was to promote a situation in which in the years to come "new capital investments in the less-developed countries of all types, private and public, national and international, would be encouraged". My delegation hopes that the proposed new fund might be able to accomplish a good deal in this respect. The type of the pre-investment projects envisaged should result in greater opportunities for the development of sound and practical capital projects for implementation by the countries themselves with the resources available to them from national or international sources. The proposed new special projects programme could, therefore, have an effect like that of the expanded programme of technical assistance, far greater than one would normally expect of a fund of modest proportions. To my delegation it appears that some of these problems of definition are misleading. As

we see it the programme proposed by the USA would include projects of a kind that would have to be conducted in any case even if SUNFED were established. We suspect, Mr. Chairman, that a SUNFED with very limited financial resources would have to spread those resources over as wide a field as possible, and would in fact conduct a good many projects of the kind contemplated in the USA proposal.

Another of the difficulties which we are encountering concerns the extent to which a new UN programme should be related to existing UN programmes. The USA delegation has stressed the need for integrating the new programme into the expanded programme of technical assistance. At the opposite pole are those who insist that the new programme must be entirely separate from the present technical assistance programme. The Canadian Delegation hopes that a realistic position somewhere between these two positions can be found. In the first place the USA proposal involves the assumption that some new machinery, which it is not possible at present for any of US to envisage clearly, should be established to deal with the so-called "Special Projects". Even those who believe that a new programme should be entirely separate accept, we believe, the premise that it should use a good deal of existing technical assistance administrative machinery and that the two programmes must be closely coordinated.

The Canadian view is that a new programme should be closely related to the present programmes of technical assistance. We believe this for a number of reasons. In the first place it is clear that administrative and operational services costs under the expanded programme present a heavy although frequently necessary burden on the available resources. It would surely be a great mistake not to use the existing UN machinery as much as possible in order to avoid heavy administrative expenses chargeable to the new additional resources when those resources will be all too limited. In the second place, the Canadian delegation believes it is fair to say that one of the most serious problems now before the UN is that of promoting effective coordination among the various UN agencies themselves as well as between UN activities and non-UN activities in the economic aid field. To create an additional and entirely separate administration for a new programme would be wasteful in the extreme. It would surely be unwise to lay down now that new programme must be kept entirely separate from the present technical assistance programmes. It might be possible to keep the new programme fairly distinct insofar as pledges of contributions to it are concerned; but it does not necessarily follow that the administration of a new programme should be completely divorced from that of existing programmes. It is out of the experience of the expanded programme of technical assistance and other UN programmes that we have developed knowledge and understanding of the role the UN can play in promoting economic development in less-developed countries. It is out of experience under the expanded programme and other UN programmes that many of the projects to be assisted under a new fund would develop. For these reasons we hope it will be possible to find wording in our resolution concerning this proposal which would be designed to promote the most effective possible use of the resources that will, we hope, become available.

The form of machinery that might be established should, of course, be left to be discussed by the proposed preparatory commission. In this connection, the Canadian Delegation would like to throw out the suggestion that in the operation of the proposed special projects programme the assistance of the International Bank for reconstruction and development should be sought. The Bank has had a great deal of experience not only in administering large

scale capital investment projects but also in conducting surveys and other projects similar to those in which the proposed new UN programme would be engaged.

Mr. Chairman, my delegation is convinced that, given good will on both sides, a good and acceptable compromise can be found. The supporters of SUNFED are seeking the provision of more money for economic assistance through the UN. The USA proposal offers an increase in economic assistance through the UN. The SUNFED supporters desire large scale capital assistance. The USA proposal envisages a type of assistance that would make large scale capital projects more practicable. Differences regarding the relationship between a new programme and the expanded programme of technical assistance surely are not sufficiently important to cause a breakdown of negotiations looking towards a compromise.

Before I finish my remarks, Mr. Chairman, I think that I should emphasize that it will not be easy for the Canadian authorities to contemplate additional contributions to UN economic aid programmes if the discussions regarding them are being conducted in an atmosphere of sharp division between two groups of countries—the major potential donors and the less-developed countries—in spite of the fact that they have common objectives. The Canadian authorities have had happy and, we believe, economically successful relations arising from the provision of economic assistance outside the UN. If our participation in economic assistance programme inside the UN were to involve US continually in acrimonious discussions, I must say that we would be discouraged and disheartened. If, on the other hand, Canadian support for a new UN programme should help to promote better understanding through the UN between the countries of the world, this would be an additional argument in favour of our making such a contribution. May I say again, that if there should be general agreement to establish a special projects programme and if suitable organizational arrangements are eventually made, the Canadian government would give sympathetic consideration to seeking parliamentary approval of an appropriate contribution.

We hope that our present discussions, while they may reflect differences of opinion, will not result in failure to take constructive action in one of the few fields of UN activity in which there can be general agreement, and in which there must be general agreement if UN programmes are to be successful.





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STANDING COMMITTEE

ON

# EXTERNAL AFFAIRS

Chairman: H. O. White, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

Main Estimates of the Department of External Affairs  
1957-58

FRIDAY, DECEMBER 6, 1957

Statement by Jules Leger, Under-Secretary of State for External Affairs

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1957.

## STANDING COMMITTEE ON EXTERNAL AFFAIRS

*Chairman:* H. O. White, Esq.

and Messrs.

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Rea,  
Smith (Calgary South),  
Stick,  
Stuart (Charlotte),  
White—35.

J. E. O'Connor,  
*Clerk of Committee.*



## MINUTES OF PROCEEDINGS

FRIDAY, December 6, 1957.

The Standing Committee on External Affairs met at 10.05 a.m. this day. The Chairman, Mr. H. O. White, presided.

*Members present:* Messrs. Argue, Best, Cardin, Coldwell, Fairfield, Haidasz, Herridge, Holowach, Knowles (*Winnipeg North Centre*), Kucherepa, Low, Macnaughton, Macquarrie, Montgomery, McCleave, Patterson, Pearson, White. —(18).

*In attendance:* Messrs. Jules Leger, Under-Secretary of State for External Affairs; W. D. Matthews, Associate Under-Secretary; H. F. Clark, Director, Finance Division; M. Grant, Director, Supplies and Properties Division; W. T. Delworth, Executive Assistant to the Secretary of State for External Affairs.

The Chairman in calling the meeting to order observed that Item 94 of the Department's Main Estimates was still before the Committee.

Mr. Leger, the Under-Secretary of State for External Affairs, distributed to members of the Committee copies of a prepared statement outlining the operations of the Department.

Mr. Leger was questioned by members of the Committee.

The Chairman announced that at the next meeting to be held Tuesday, December 10, Item 94 would be allowed to stand and that Item 114—Colombo Plan, would be called. Mr. R. G. Nik Cavell, Administrator of the International Economic and Technical Co-operation Division of the Department of Trade and Commerce, will be in attendance.

A document entitled "Department of External Affairs Main Estimates 1957-58—Informational Material" as amended to reflect changes proposed by the Secretary of State for External Affairs was filed with the Committee.

At 11.00 a.m., Mr. Leger's questioning continuing, the Committee adjourned to meet again at 11.00 a.m., Tuesday, December 10, 1957.

J. E. O'Connor,  
*Clerk of the Committee.*



## EVIDENCE

FRIDAY, December 6, 1957

10 A.M.

The CHAIRMAN: The committee will please come to order. We shall now proceed with the business in hand. This morning, gentlemen, the order of business is item 94, departmental administration. Mr. Leger has provided us with a statement and as we are rushed his suggestion—and I think it is a good one—is that we should just take a few minutes and read it. We can read it much quicker than anyone could read it out to the group. So we shall take about 15 minutes and read it and proceed with the meeting if that is agreeable to the committee.

Mr. KNOWLES (*Winnipeg North Centre*): The statement will be printed in the record just as if it had been read?

The CHAIRMAN: Yes.

Mr. JULES LEGER (*Under Secretary of State for External Affairs*): Mr. Chairman and members of the committee, I welcome this opportunity to discuss with you some significant aspects of the administration of the Department of External Affairs suggested by our departmental estimates for 1957-1958.

As in previous years each member of the committee has been given a financial statistical table prepared in two parts. The first compares our 1957-58 proposed estimates with those of 1956-57, and the second part is made up of appendices comparing expenditures for 1955-56 and for 1956-57 with the estimates of 1956-57 and those now being presented for 1957-58.

In terms of the establishment of new posts abroad the Department of External Affairs has not expanded to any great extent during the years 1955 and 1956. This is not, however, the only measure of our activities. We have used this period not only to consolidate the rather rapid expansion which took place during several years immediately preceding 1955 but we have, during these two years, taken on additional responsibilities and considerably enlarged the scope of our functions in various areas.

In a period when new posts are being opened abroad, it is difficult to keep abreast of the growth in terms of administration, such as trained personnel, adequate physical facilities, premises, furniture and furnishings, security arrangements and communications. These last two years have given us a much-needed opportunity to consolidate our administrative position and, in so doing, to increase the efficiency of our operations. Our international responsibilities and the simple fact that the world community is gaining new members every year, among them new members of the commonwealth and new members of the United Nations, will make it almost inevitable that we must open new posts abroad in order to discharge our commitments. The growing importance of Asia and the Middle East makes it desirable and necessary for us to give priority to these regions.

The estimates of the department could be examined from two different but complementary angles; first, in relation to the specific tasks which it has to perform and, second, in relation to the personnel and funds which it requires to that end. In our present context the emphasis is naturally placed on the latter approach.



Nevertheless, I should like to pause for a moment on the general political work of the department, the budgetary implications of which are reflected in the estimates before you in a number of overhead items rather than under any specific heading.

Our five political or geographical divisions—the commonwealth, the American, the European, the middle eastern and the far eastern—are responsible for Canada's international political relations with the several countries coming under their respective jurisdiction, either bilaterally or within the framework of multilateral groupings such as the commonwealth, the United Nations and NATO. Through our missions abroad, the foreign missions in Ottawa, and a host of other official and unofficial contacts, they keep themselves informed of developments in those countries and of the thinking of their governments on current problems. They study and analyze the information thus obtained, so as to determine the nature and extent of Canadian interest in such problems and to suggest, in cooperation with other interested divisions and departments, appropriate action by the Canadian government.

At the present juncture, our commonwealth division follows with particular interest, for example, the emergence to independence of certain countries within the commonwealth such as Ghana, Malaya and the West Indies. Jointly with the far eastern division, it provides advice on the international political aspects of Canadian participation in the Colombo Plan. Our American division concerns itself with the international boundary and water problems between Canada and the United States, and with the development projects, such as the St. Lawrence seaway, jointly undertaken by the two countries. It services the Canadian member on the Joint International Commission where a good many of these questions are discussed and solutions elaborated. The European division pays continuing attention to political events in the Soviet Union and in the communist countries of eastern Europe, and endeavours to appraise their significance for the western world. Together with the economic division, it also follows movements towards closer European integration so as to assess their political and economic effects on Canada. The recently-created middle eastern division has been entrusted with the serious problems which have of late brought east and west face to face in that troubled area and made it the focal point of world attention. It provides advice, in particular, on the political aspects of Canadian participation in the United Nations Emergency Force. One of the principal preoccupations of the far eastern division, in the last few years, has been the implementation of the armistice agreements in Korea and subsequently in Indochina.

The department comprises in addition five functional or technical divisions: the economic, the legal, the defence liaison (1), the defence liaison (2), and the United Nations divisions. Essentially, these divisions coordinate the views of other departments on the technical aspects of Canada's external policies in the fields of commerce and finance; of international law; of defence within the framework of the North Atlantic Treaty Organization and of the permanent joint board on defence between Canada and the United States; of security and intelligence; and in the many matters of the competence of the United Nations. The functional divisions are directly responsible for the political aspects of the various technical problems with which they deal, consulting on them with the political divisions, as might be necessary.

The above enumeration of the present substantive tasks of the department is, of necessity, far from complete. International conditions, furthermore, are subject to rapid changes in time and place. Such changes can very substantially affect the total workload of the department at any given time and its distribution among the various divisions concerned. The nature of our work and the need for the department constantly to adjust itself to the requirements

of a moving international situation, make it especially difficult to relate our estimates in personnel and funds to specific responsibilities. These difficulties are overcome in practice by the adoption of personnel and administrative arrangements which combine the necessary flexibility with the greatest possible measure of efficiency.

I should now like to discuss some of these in the light of the estimates for 1957-58.

### *Personnel*

At the end of the war in 1945 there were 22 external affairs posts in operation. To service them we had a total staff, including, locally-engaged, of 602. Of these, 107 were officers. Ten years later, in 1955, our staff numbered 1,610, including 343 officers. This staff manned the department and a total of 57 external affairs posts—an increase of 34 posts in ten years and a corresponding increase in staff of just over 1,000 people.

During the last two-and-a-half-year period we have taken over from the Department of Trade and Commerce full responsibility for the consulate general in New Orleans and partial responsibility for the consulate general in Manila. Furthermore, we have opened two new posts: a consulate in Hamburg operated jointly with the Department of Trade and Commerce, and a high commissioner's office in Ghana. At the end of 1956 our total staff strength was 1,701, including 364 officer personnel.

In the latter part of 1956 developments in the Middle East necessitated the creation of a new middle eastern division in Ottawa and also an increase in staff at our embassy in Cairo. The provision of staff for these urgent requirements placed a serious strain on the personnel resources of the department at a time when our commitments in Indochina continued to be heavy and there was, in addition, a general staff shortage. The department continues to be short on its current establishment as it has not been possible to keep pace through recruitment with expansion and turn-over of staff. Separations as a result of death, retirement or resignation amounted to 7 officers and 160 administrative personnel in 1955-56, and to 10 officers and 185 administrative personnel in 1956-1957.

Sixteen junior foreign service officers joined the department in 1956 as a result of a competition conducted by the Civil Service Commission in December 1955 and during the current fiscal year we have recruited twenty-one foreign service officers grade 1. We hope to recruit in 1958-59 over a dozen new foreign service officers grade 1 from the current competition.

In the details of estimates for 1957-58 you will find the following changes from 1956-57 in the number of established positions:

Departmental administration .....	+ 37
Passport office .....	+ 4
Representation abroad	
(including local staff) .....	+ 45
Indochina .....	— 12
A total increase of .....	74

In summary, these changes can be attributed mainly to the following developments:

the necessity of increasing the number of positions provided in the "floater" pool to compensate for the loss of service incurred by personnel on attachment, in training prior to posting, in transit to and from posts, on conferences, on home leave and on full-time language studies; the additional staff required to improve our communications system, occasioned by the provision of automatic cypher equipment for more rapid and secure communications with certain of our posts abroad, and to handle the increased volume of traffic in Ottawa; the necessity of providing additional security precautions at posts where cypher machine equipment is installed; and the need to provide additional personnel to take care of work arising out of our growing commitments at the United Nations.

It is important to note that the 1957-58 estimates were prepared on the basis of conditions as they existed prior to the international crises over developments in the Middle East area. The staff requirements for these urgent tasks have had to be met at the sacrifice of other important departmental functions.

*Canadian Personnel serving on the International Commissions for Supervision and Control in Vietnam, Cambodia and Laos*

Because of the demands on our personnel establishment resulting from our work of peace supervision in Indochina, I think you would like to hear a more detailed account of our personnel position there.

As of January 1, 1957, there were 156 Canadians serving on the international commissions for supervision and control in Vietnam, Cambodia and Laos. Of this number, 29 are from the Department of External Affairs and the remainder from the Department of National Defence. The numbers of personnel actually in Indochina may vary by 2 or 3 at any given time because of postings, illness and other reasons, but the figures given remain fairly constant.

The Canadian delegation to the commission in Vietnam is by far the largest of the Canadian groups in Indochina. We have been able to reduce within limits our personnel commitments in Indochina. As of September 30, 1957, this department had in Vietnam 5 officers and 12 administrative staff members, in Laos 3 officers and 3 stenographic and clerical personnel, and in Cambodia 2 officers and 2 administrative staff members. This reflects a decrease of 2 employees since January 1, 1957.

The necessity to maintain well-trained and experienced officer and clerical staffs in Indochina constitutes a continuing demand on the personnel resources of the external affairs department. The policy of having male personnel serve in Indochina for approximately one year and female personnel for nine months—made necessary by the unusual and difficult conditions of service—complicates our personnel planning programme.

The three supervisory commissions in Indochina—in Vietnam, Laos and Cambodia—continue to carry out the job assigned to them under the cease-fire agreements signed in Geneva in July 1954. As I mentioned in my statement to this committee in 1956, a number of the more important provisions of the agreements had been fulfilled. However, during the past year the commissions have continued to supervise the carrying out of the remaining obligations of the parties, particularly in Laos and Vietnam.



We are of the opinion that the commission in Cambodia has completed its task and that it should be dissolved. We continue in our attempts to persuade the Indian and Polish delegations to agree to dissolution.

In Laos, the tense military and political situation has made the continued existence of the commission desirable. However, on November 18 the two parties in Laos signed agreements providing for the integration of the dissident Pathet Lao movement. Although we hope this development will produce a reduction and eventual elimination of our commitments, it appears that the commission in Laos will have certain responsibilities for supervising this integration and it is not too clear at this stage what reductions will be possible in the near future. It is certainly our expectation that our commitments in Laos will be reduced to the point where they are consistent with any job remaining to be done.

The major continuing jobs of the commission in Vietnam are the supervision and control of military personnel and equipment entering and leaving the two parts of the country, which have not yet been unified, and the supervision of the demilitarized area between the two zones. These functions at present involve seventeen commission teams and it has therefore been difficult to effect any personnel economies. In addition, during the past year the commission has undertaken a number of investigations requiring deployment of special mobile teams, and this has necessitated the presence of additional personnel. However, as in the rest of the Indochina area, we have been pressing for reductions and we hope that some military personnel will be released in December. We are also examining ways of reducing the Vietnam commission to a size which we consider more consistent with the functions which we think it can usefully perform.

Political equilibrium seems to have been generally achieved in the area. In Vietnam and Laos, we consider that the commissions still have a useful role to perform in maintaining peace and stability. Therefore, although the provision of more than 160 military and civilian personnel for the three commissions continues to place a strain on the resources of both the Department of National Defence and the Department of External Affairs, we believe that our participation has made a vital contribution to the maintenance of the armistice agreements in Laos and Vietnam. However, we are anxious to eliminate this burden as soon as possible, and we plan to continue our efforts to effect reductions.

The United Kingdom, France, the U.S.S.R. and the Peoples' Republic of China have been contributing to the upkeep of the three commissions. During the past year the advance payment of \$100,000 (U.S.) which Canada contributed to the common pool until the Geneva conference members could arrange to make regular contributions, was repaid. Until now, however, we have not recovered any of the expenditures we have incurred which are to be charged to the common pool. Claims for the recoverable expenditures to June 30, 1957, totalling \$1,307,061.02 for Canada, have been submitted to the international secretariat of the Vietnam commission. We shall continue to press for the repayment of these expenditures, but there has been some difficulty in co-ordinating the accounting of the commissions and the payment of accounts.

### *Communications*

The rapid expansion of our work since the war has been accompanied—one might almost say made possible—by the steady and very considerable increase in our communications system. Changes in the method of computing the number of messages despatched between our growing centres of activity, make it impossible for me to give you figures on this expansion. We have worked hard to improve and speed up our communications in order to knit together more closely and effectively the increased extent of our foreign service activity.



The installation of modern equipment in certain missions abroad means that we can now maintain a rapid flow of information and can consult with them in a manner which has been impossible heretofore. Our communications division estimates that it will be another year before our expanded system is operating at full efficiency.

In discussing the estimates for our communications, I should point out first that because of unavoidable delays in the installation of Telex (a form of communication similar to teletype in which the subscriber rents terminal equipment only and pays for use of circuit time in much the same way as for a long distance telephone call) abroad which has only recently been completed, there has been little, if any, change in the pattern of expenditures for telegrams.

Our estimate for cables for the fiscal year 1956-57 in departmental administration was \$150,000. To the end of January 1957 the sum of \$164,000 had been expended and by the end of the fiscal year we had spent a total of \$213,000. This increase in telegraph charges was mainly caused by increased consultation with our missions abroad brought about by events in Egypt and Hungary. For 1957-58 we have estimated \$114,168 for cables, but in view of the continued heavy volume of telegraphic communications, we now estimate that this year's cable account will be more than \$200,000.

Since our last report on departmental communications, we have been able to obtain the use of trans-Atlantic Telex facilities which became effective only in December of last year. This should serve to reduce overall telegraph charges but, again, insufficient time has elapsed to enable us to provide a reasonable forecast.

At the end of the 1955-56 fiscal year it was necessary, due to delays in deliveries of communications equipment, to request a re-vote of \$300,000. Of this amount we have now expended all but \$74,000 which will, due to further delays in delivery, have to be provided in 1958-59.

For Ottawa and abroad in 1957-58 we are asking for \$112,000 for the acquisition of new communications equipment to supplement and continue the expansion of our communications network.

You may recall that the departmental grant to the National Research Council for technical assistance in the field of communications security last year totalled \$279,000. Due to increased demands on the National Research Council by this and other government departments it has been estimated that this department's share of costs will this year amount to \$335,000. The nature of this subject is such that members of the committee will appreciate that it would not be in the public interest to go into greater detail.

As was forecast in last year's statement, the use and adoption of modern communications equipment and methods has produced significant economies in typing and duplicating telegrams. It has, in addition, made possible the distribution of copies of telegrams by diplomatic bag and mail from London to posts abroad, thereby reducing the volume of material carried by air across the Atlantic.

#### *Informational activities*

The information work of the department has the essential and definite aim of promoting our interests abroad. The monies requested for this purpose serve to make Canada better known and appreciated in other countries and to explain, where this is desirable, our policies and attitudes. These operations are planned and carried out in close consultation with the other agencies of government concerned, so as to avoid duplication and to promote the most effective use of available resources.

The greater portion of the funds requested will be applied to answering questions and providing informational material about Canada, directly or through our missions; a part will be devoted to projects designed to satisfy in certain areas a demand for information that may be of either short or long term benefit to this country; another part to joining with other departments and agencies of government in projects of recognized common purpose and value; a small part to liaison work with the information agencies of organizations such as NATO, the UN, the Colombo Plan and UNESCO; lastly, another small part of the vote will be applied to answering questions and providing material in this country about the government's external policy and Canada's role in international affairs.

The work of the department in the information field is undertaken in the light of a continuing assessment of the relative cost and benefit involved. Both in planning and execution, operations are related to the political and other objectives pursued in the areas and countries concerned. The increase of our commitments abroad have naturally resulted in growing information requirements. Our NATO and Colombo Plan information tasks, for example, have developed in line with the work of these organizations and our interest in them; our relations with the United States and the resulting problems require at present a more extensive effort of explanation and persuasion; and the maintenance of strong ties with the developing commonwealth are being given greater attention also. Our estimates this year include provision for an information officer in New Delhi. Information work of a general character has recently been initiated, on a limited scale, in certain countries of eastern Europe and, in view of the increasing competition from other nations, a greater effort would appear to be useful in Latin America for the promotion of our commercial interests.

It is to these new or growing tasks, as to the old; that our informational activities are at present directed.

#### *Properties abroad*

In 1945, with 22 external affairs posts, the department owned 5 properties; namely, 2 official residences and 3 chanceries. In 1957, with 61 posts, we own 51 properties comprising 18 official residences, 12 chanceries, 3 residence building sites and 18 staff quarters. In addition, the department rents 113 properties consisting of 34 official residences, 46 chanceries and 33 staff quarters and is responsible for the furnishing of 26 individually-leased staff quarters. Therefore, at the present time, we have a direct interest in the maintenance and furnishings requirements of 190 properties.

To meet our capital programme at posts abroad a total of \$2,161,775 is provided in our 1957-58 estimates, as follows:

\$255,591—For the purchase of office furnishings and equipment, including security equipment. Of this amount, \$133,230 was committed during the first six months of this year.

\$1,251,874—For the acquisition, construction and improvement of properties for offices and residences abroad. Of this amount, \$363,029 was committed during the first six months of this year.

\$654,309—For the acquisition of furnishings and equipment for residences abroad as well as for the procurement of cars. Of this amount, \$349,970 was committed during the first six months of this year.

The uncommitted portions of the above estimates are needed for the second half of the fiscal year to provide essential maintenance services so as to keep our properties abroad in first-class condition; to purchase required items of furnishings and equipment for our chanceries, official residences and staff quarters; to carry out furnishing schemes already in hand for official residences in a limited number of capitals; to affect improvements of an urgent character to some of our properties abroad so as to avoid their further deterioration and to bring them to a more generally acceptable standard; to continue, and where possible to complete, construction projects already underway, and to enable the department to take advantage of any real estate opportunities in those capitals where our accommodation problems in relation to chanceries and official residences are particularly acute.

### *Consular Services*

There has been a considerable increase in the volume of consular work in 1957. This has been due, to a large extent, to the increased responsibilities of the Passport Office and to the assistance given by this department to the Department of Citizenship and Immigration in handling the movement to Canada of Hungarian refugees.

In the fiscal year 1949-50, 63,405 passports were issued; in 1956-57, the number of passports issued rose to 91,713. It is expected that over 100,000 passports will be issued in the current fiscal year. Receipts for consular services rendered totalled about \$306,700 in 1949-50; in 1956-57 receipts rose to over \$496,400. On the other hand, the establishment of the Passport Office increased by 3 only over the same period, passing from 63 to 66.

The increase in Passport Office work at Ottawa was followed by a corresponding increase in the consular work at posts abroad. Because of the greater number of Canadians travelling to foreign countries, more persons sought assistance of various kinds from our posts. The increase in the work-load at posts resulted, in turn, in an increase in responsibilities at Ottawa.

With regard to the entry of Hungarian refugees, this department assisted the Department of Citizenship and Immigration at Ottawa in making the emergency arrangements that were necessary to cope with the unforeseen influx. Since the revolt in Hungary began, in the fall of 1956, nearly 36,000 Hungarian refugees have been admitted to Canada.

### *United Nations*

The United Nations now has 82 members—6 more than when I appeared before the committee last year. The new members are Sudan, Tunisia, Morocco, Japan, Ghana and Malaya. In computing the assessment to be paid by each member state, the United Nations follows the basic principle that costs are to be shared on the basis of capacity to pay. There are some modifications of this basic principle of capacity to pay but these modifications mainly affect the richest member (U.S.A.) and the poorest ones; that is, there is a ceiling and a floor on the respective amounts which the richest and the poorest countries pay.

Canada in 1956 paid an assessment or membership fee of 3.63% of the U.N. budget. However, the contributions committee has now revised the scale for 1957 and also retroactively revised the scale for 1956 because of the addition of new members. Canada will therefore receive a credit for 1956 and will pay at a lower rate for 1957. Canada's rate of assessment for these years has been reduced to 3.15% of the U.N. budget. This new rate means that in



1957 Canada will pay approximately \$240,000 less than we would have paid under the old rate of assessment. Owing to the admission of new members, our rate of assessment for 1958 has been further reduced to 3.09%.

### *Expanded Technical Assistance Programme*

At the Technical Assistance Pledging Conference in 1956 the Canadian delegation announced that, subject to parliamentary approval, Canada would contribute \$2 million to the expanded technical assistance programme in 1957. The item in the estimates relates to that pledge. The Canadian delegation was also authorized to say that for 1958 and for 1959 the United Nations could expect a contribution of similar magnitude from Canada, subject, of course, to the approval of parliament. The minister has recently confirmed that the Canadian government intended to make a contribution of \$2 million for 1958. As I indicated when I appeared before this committee last year, both the regular programme, financed out of our contributions to the budget of the United Nations and the expanded programme of technical assistance, which is financed by voluntary contributions such as this item of \$2 million, are receiving broad support throughout the world. The regular program of technical assistance is more directly the concern of the General Assembly; the expanded program is supervised mainly by the Economic and Social Council. Canada is at present a member of the Economic and Social Council; in the discussions on technical assistance the Canadian delegation has continually pressed for the maintenance of high standards of administrative competence and for organizational arrangements that will ensure that our contributions and those of other countries are translated into practical and effective help to the economically underdeveloped countries.

### NATO

The budget for the NATO civil headquarters provides for the salaries and allowances for the members of the NATO international civilian staff, travel expenses, office accommodation and furnishings, information activities and other administrative expenses of the organization. Canada's share of this budget was originally 10 per cent of the operational expenditures and 6.7 per cent of the capital expenditures. Under a new single cost-sharing formula agreed upon in 1955 Canada's share is now 5.8 per cent of these expenditures. This reduction was made possible by the entry of Germany into the organization.

Before 1956 part of the Canadian share of the NATO civil budget was paid from the mutual aid appropriation, but it was decided that, starting with the fiscal year 1956-57, this department would be responsible for the Canadian share. In 1956-57 the Canadian share amounted to \$223,625, and for 1957-58 it is \$195,896.

At the present time the NATO international secretariat is still housed in temporary buildings at the Palais de Chaillot constructed by the French government for the 1951 session of the United Nations General Assembly. Member governments have found their own accommodation in Paris for their respective delegations to NATO. A new consolidated headquarters is now being constructed, the financing of which is being shared by the member countries of NATO. The new NATO headquarters will house the main council chamber of the North Atlantic Treaty Organization, a number of smaller committee rooms and approximately 900 offices. One wing of the building will be used to house the delegations of member nations, and that part of each delegation's rental payments earmarked for amortization of the capital cost will be used as a credit against the annual assessments for the NATO civil budget. The French gov-

ernment has provided the land and will construct the approaches. The completion of the new headquarters is not expected before the spring of 1959.

Canada's share of these construction costs is 6.08 per cent and the total Canadian share is expected to amount to approximately \$635,000 (Cdn). Again, starting with the fiscal year 1956-1957, the total Canadian share was paid by External Affairs. The Canadian share for 1957-58 is \$167,444.

### *Colombo Plan*

The item in the estimates for Canada's Colombo Plan programme for 1957-58 is \$34.4 million, the same as for 1956-57. The cabinet has given approval to a proposed contribution of \$35 million for 1958-59, or \$600,000 more than for the current year. As members of the committee will be aware, the annual vote for the Colombo Plan is paid into a fund; unspent votes thus do not lapse. This makes it possible to finance fairly substantial projects which take a considerable time to plan and to complete.

The allocations among countries of this sum will, as in the past, be determined by the usefulness and the appropriateness of the projects which the governments in the Colombo Plan area propose to us for possible Canadian aid. I would emphasize, however, that a considerable proportion of the money against this item will no doubt be used to carry forward projects already underway and to which we are already committed. For example, last year \$5 million was allocated for the Canada-India reactor. It is anticipated that an allocation of at least an additional \$2 million will be required from this year's vote for this project. Again, in Pakistan a substantial proportion of the money that can be allocated to that country will have to go to the carrying on of the Warsak project and of other capital projects now underway. Further, our continuing programme of technical assistance—that is, of sending Canadian experts to all countries in the Colombo Plan area and of training their technical people in Canada—will require about \$2 million this year.

Mr. Chairman, it has been the practice in the past for me to comment only in general terms upon the amounts of money which the department is asking for the Colombo Plan and to suggest to the committee that they should ask Mr. Cavell of the Department of Trade and Commerce, the Colombo plan administrator, to come before you and answer any questions you may care to put to him about specific projects in the area. I would suggest that Mr. Cavell can give you more guidance on these matters than I can. I understand Mr. Cavell will be available, should you so desire.

### *U. N. R. W. A.*

Canada has been the fourth largest non-Arab contributor to the United Nations Relief and Works Agency for Palestine refugees, and has given a total of \$5,320,929 to Palestine refugee relief since 1949. Other major contributors have been the U.S.A. (\$171 million since 1949); the United Kingdom \$47 million); France (\$12 million); Australia \$1.7 million) and New Zealand (1.2) million. The amount of \$750,000. for UNRWA in the 1957-58 estimates covers an 18-month period extending from July 1, 1956 to the end of 1957.

UNRWA has since 1949 been supplying food, shelter and medical care for over 900,000 Arab refugees who lost their homes and means of livelihood as a result of the hostilities which accompanied the establishment of the State of Israel in 1949. An opportunity for the refugees to exercise the choice between repatriation and compensation in accordance with successive General Assembly resolutions has not yet arisen. Because of a shortage of funds, UNRWA has recently had to cancel many of its rehabilitation and small-scale

resettlement projects and to curtail some relief services. These are already at subsistence level, costing no more than \$30 per refugee per year, including administration. It is expected that the General Assembly will adopt, at its present session, a resolution urging all governments to contribute or to increase their contributions to the extent necessary to carry through to fulfillment the agency's relief and rehabilitation programmes.

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Mr. Chairman, I have dealt with some of the salient points in the estimates regarding which I thought you might like to have particular information. I am sure there are other matters upon which the members of the committee might also wish to be informed. Accordingly, I would welcome any questions which may occur to you and to other members of the committee.

The CHAIRMAN: Members of the committee, if you are ready, I think we should now proceed. First of all, I want to say that Mr. Leger has pointed out that he would like to make one or two points of clarification in this statement. I would also point out to the committee that later, we expect next Tuesday, we hope to hold two meetings and to have Mr. Cavell dealing with the Colombo plan at that time and the Technical Assistance Programme. Consequently, questions or remarks regarding that could of course be restricted, due to the fact that Mr. Cavell will appear before us.

I think that is all I need to say. I will ask Mr. Leger to make what few remarks and clarifications he wishes to make, and then we can proceed with questions dealing with the prepared statement you have just had an opportunity to read.

There is one other thing I wish to mention, gentlemen, which I neglected to mention yesterday. It is a little difficult to hear in this room and I appreciate very much the good order that was kept. I think in most cases every member was able to hear and I certainly appreciate that. I know also that the reporters and the press do. Thank you.

Mr. LEGER: Thank you for this opportunity to meet members of the committee again. It is always with interest that we come before you. Before making the two or three points of clarification I have in mind, I wonder if Mr. Holowach will allow me to refer to a question he put to the minister at the first meeting about the method followed in preparing our estimates.

In preparing estimates an effort is made to determine what we think are the minimum expenditures which will permit the department efficiently to carry out its approved functions. No provision is made for additional responsibilities that may be imposed upon the department by the government during the period covered by the estimates. A case in point is that of the opening of new missions. Therefore it is proper to say that only the minimum anticipated expenditure is covered.

As you are aware, the expenditures of the department for estimating purposes may be divided into three broad categories; the first is the payroll item; the second, other operational and capital expenditures; and the third one, contributions to international organizations and related programmes.

Now, the first step in determining payroll estimates is to determine the establishment. All posts abroad and all divisions in the department are asked to submit their proposals for establishment in the coming fiscal year. These proposals are then critically examined by a departmental committee. I think it can be agreed that this examination is critical when I point out that the last time this exercise was done the requests submitted were at this



stage reduced by approximately 75 positions. The reduced list is then considered by a group consisting of a representative of the Civil Service Commission as chairman, a representative of treasury board and a representative of the department. The report of this committee is considered by the minister, submitted to treasury board who finally determine the establishment to be included in the estimates. The establishment as approved by treasury board is applied to existing salary rates, an amount is deducted for anticipated vacancies in establishment during the year and the remaining figure is included in the estimates submitted to parliament.

For operational and capital expenditures an estimate of requirements is submitted each year by posts and by divisions. These estimates are then examined within the department to reduce the cost where possible and to eliminate those items which the department does not consider can or should be carried out during any given year. The resulting estimates are then submitted to treasury board for further critical examination before submission to parliament.

As to the third aspect on contributions to international organizations and related programmes, as you are aware, part of the expenditure on international organizations consists of assessments based on the budgets of those organizations and the agreed percentage of those budgets to be met by Canada. As long as we continue to remain in those organizations, nothing can be done to reduce these expenditures after the budget is once set. Part of these contributions, however, like that of the Colombo plan are voluntary and the amount of the Canadian contribution to be sought from parliament for items such as the Colombo plan is determined by cabinet.

I think it is the opinion of the department that the procedures outlined above constitute a real effort to maintain our estimates at the minimum amount required to carry out the approved functions of the department.

Now, if I may, Mr. Chairman, revert two points that require clarification. Both of them relate to the reduction in our main estimates of \$366,500 announced by the minister here. The list of our main estimates you have with you does not include those reductions. Possibly the easy way to indicate where those reductions would be made is to refer to 97 subsection 11 on page 7. Reference is made in the last sentence of that subheading to Canada House, New York, and in that respect I should like to read the following letter which was addressed to Mr. Carswell, the general manager of Canada House (New York) Limited on November 8, 1957.

"Dear Mr. Carswell,

I am instructed by the Secretary of State for External Affairs to advise you that the Government of Canada has decided not to lease accommodation in the building being constructed by Canada House (New York) Limited.

2. This decision has been taken only after very careful consideration and results in part from the fact that there has been an important change in the Canadian aspect of the project both in regard to financing and to occupancy of the building. In initial discussions it had been reported to the department that a substantial part of the building would be occupied by Canadian firms or United States firms having Canadian interests. We are informed that this is not the case and that the building will not be a Canadian centre.

3. Since the discussions with you were begun, the department has been informed that, contrary to the impression created by the brochures shown to us, Canada House (New York) Limited does not own air

rights below 150 feet. Consequently, a building could be erected on the west side which would block out windows to the level of the tenth floor. This is considered to be an important factor and particularly so when it relates to a long-term lease.

4. Under these circumstances it has been decided that it would not be in the interests of the Canadian government to rent space in your building".

That letter was signed by the Under Secretary of State for External Affairs.

Therefore, references to the monies needed for Canada House in New York as referred to in 97 (11) no longer apply. On the other hand the main decrease which was announced by the minister will be under 97 (13) on the same page, "acquisition, construction and improvement of properties for offices and residences abroad including land".

The decrease there would be in the order of \$335,125.

Mr. HOLOWACH: What is the figure again?

Mr. LEGER: \$355,125 compared to an estimated increase of \$14,875. Now this decrease has been made by the postponement of the proposed construction of a chancery building in Canberra, estimated at \$100,000 and the postponement of the residence construction project in Brussels costing \$250,000.

A further point to be made in clarification of this statement on main estimates is on page 4, item (19), "taxes on diplomatic properties in Ottawa area". I thought the explanation given there might not be sufficient for the committee so I should like to develop this a little bit further.

Mr. PEARSON: Would it be in order to ask questions on various points as they come up? I suppose we have to adjourn at 11 o'clock.

The CHAIRMAN: That is right. Mr. Leger said it was quite all right to ask them as we go along and of course, they will have to be cleared up.

Mr. PEARSON: Just one or two questions in connection with these reductions. Firstly, the reduction of expenditure by withdrawal from the commitment to take space in Canada House on Fifth Avenue in New York. The reduction is approximately \$70,000. Does that mean that the rental we would have paid for our offices in Canada House where all Canadian government offices would have been consolidated under one roof, would have been \$70,000 a year more than the rent we are now paying for these offices?

Mr. LEGER: No, Mr. Chairman, the difference would be in the monies required for new partitioning that would have had to be built up at the Canadian government expense had we moved to Canada House.

Mr. PEARSON: So, this would be a capital expenditure to have made the Canadian government part of Canada House more efficient by putting up partitions?

Mr. LEGER: Yes.

Mr. PEARSON: It will be recalled that this Canadian government house was never a government undertaking. The only commitment Canada House had was by the previous government to take space in that building if the rentals were competitive and the conditions were satisfactory. I take it they have proved not to be satisfactory as the construction of the building has gone on.

Mr. SMITH (*Calgary South*): I wonder, in view of the decision, whether there is any alternative plan being considered?

Mr. LEGER: Yes. I think that the consulate and most of the Canadian government agencies already in Rockefeller Centre will, we hope, be able to stay in Rockefeller Centre. The lease is now being negotiated. As far as the Canadian delegation to the United Nations is concerned it was hoped we could

find accommodation closer to the UN building than the Rockefeller Centre. We did find accommodation at 750 Third Avenue. The lease has been signed and, before the next assembly, the permanent delegation will be set up.

Mr. SMITH (*Calgary South*): For the most part the status quo has been maintained?

Mr. LEGER: Yes.

Mr. SMITH (*Calgary South*): You are making various small changes?

Mr. LEGER: Yes.

Mr. PEARSON: May I ask a question in connection with the chancellorcy at Canberra for which \$100,000 was allocated. Where are the chancellorcy posts or high commissioners' offices in Canberra now? Are they rented properties?

Mr. LEGER: The situation is that we are now in rented properties and have a lot where we hope it will be possible to build permanent headquarters.

Mr. PEARSON: What rent do we pay for these offices in Canberra?

Mr. LEGER: We will obtain that information for you.

Mr. PEARSON: While that is being looked up, there is the question of the embassy in Brussels. I would like to know the rental which we are paying now for the building which would have been made unnecessary had we been able to construct a building.

Mr. LEGER: We will also obtain that information for you. When the decision, with which Mr. Pearson is very familiar, was taken to erect a building at Brussels it was hoped that a lot could be purchased and that we would be able to start building and have a residence in time for the Brussels world fair which is to open in April. It was just not possible to obtain architectural advice and buy the lot in time for the work to start. Even if we were able to start in the very near future the building would still not be ready for the world fair next year.

Mr. PEARSON: Is it still hoped to go ahead with the building of an embassy in Brussels when conditions make it possible?

Mr. LEGER: We have some land there, so I assume the answer is yes.

Mr. PEARSON: At present we have the land and are doing nothing about building on the land.

Mr. LEGER: We are still working on design. It will not be in this year's estimates.

Mr. PEARSON: This is, presumably, in the nature of a postponement. May I ask whether it is not true that when we own our own posts abroad we save money because we have exemption from taxes and rents. When we pay rent for property abroad we do not make that saving because we do not get that kind of exemption. Is that accurate?

Mr. LEGER: I believe it is accurate. However, it is not always easy to find land on which to build on sites which are satisfactory and, second, we are not equipped in the department to undertake too many building projects at the same time. With those two qualifications I think I would agree.

Mr. PEARSON: Are we equipped to undertake the building of the office in Canberra where it was so badly needed?

Mr. LEGER: Well, Mr. Chairman, I suppose it is a question of priorities.

Mr. KUCHEREPA: How long have we owned the land in Canberra?

Mr. LEGER: It is on a long-term lease as they exist in Australia.

Mr. KUCHEREPA: Would it be exempt from municipal and local taxation?

Mr. LEGER: As being Canadian government property I think so.



Mr. KUCHEREPA: Would that apply in other countries where we have a long-term lease? Would we have exemption as a diplomatic right?

Mr. PEARSON: Is it not true that in Canberra you cannot own land because the whole community is government owned; in other words, it is a federal district.

Mr. LEGER: This is unclear in my mind; I would have to check.

Mr. PATTERSON: Does the Department of External Affairs have its own architectural department and its own works department in connection with these properties, or is that carried on through the Department of Public Works?

Mr. LEGER: Mr. Chairman, we have our own section, the supplies and properties section, which deals with those matters. Our relations with the Department of Public Works are that, in the case of a building in let us say Europe, at the final stage when a blueprint is submitted to treasury board the project may then be passed on to the Department of Public Works for their comments; but they do not help in the preparation of the plan, nor do they supervise construction.

Mr. KUCHEREPA: I would still like to press my question as to how long that land in Canberra has been under lease, or whatever it is.

Mr. LEGER: I am told three years.

Mr. KUCHEREPA: No plans have yet been made on that development?

Mr. LEGER: Yes. We have plans in our files, but it is up to the government at a given time to decide whether or not those plans are acceptable. That decision is taken after the Department of Public Works has agreed to the plans and treasury board has seen them, and when we have the final costs. We may have half a dozen plans on our files on any given project, but it is up to the government to agree on the figures and the details which are suggested.

Mr. MCLEAVE: You spoke about ownership in Canberra, and the fact was mentioned that Canberra is a federal district area. Does that mean we pay a lump sum for it, or is it a continuing form of payment from year to year?

Mr. W. D. MATTHEWS (*Assistant Under-Secretary of State for External Affairs*): We have to pay a small annual ground rent to the Australian government who make the land available.

Mr. McCLEAVE: How long is this for?

Mr. MATTHEWS: Ninety-nine years.

Mr. MACNAUGHTON: I would like to revert to the question with reference to the Canada House proposition. As I understand it there were a group of prominent Canadian businessmen who contributed considerable sums of money or, in other words, bought shares and in that way helped in the financing of the construction of Canada House, presumably on at least a semi-commitment of the last government. I understand that commitment has now been changed. Under whose authority would the commitment be changed? You have read a letter to Mr. Carswell saying that the government has decided not to consolidate its offices in one locale. Is it a change in policy?

Mr. LEGER: I am sorry, but the reporters have taken the copy of the letter away. However, the first sentence indicates that this is a government decision. As far as this department is concerned, our role is to make sure that whatever accommodation there is in New York will be satisfactory for the different Canadian offices. I do not think the department as such should be asked to comment further. That is a government decision.

Mr. MACNAUGHTON: That is quite right. What is the date of that letter?

Mr. LEGER: November 8. If I may re-read the first sentence, it is as follows: "I am instructed by the Secretary of State for External Affairs to advise you that the government of Canada has decided not to lease accommodation in the building being constructed by Canada House (New York) Limited."

Mr. MACNAUGHTON: As I understand it, the original objective was to consolidate all Canadian offices at a permanent location in New York for many reasons, including proximity and publicity. Now the policy apparently has been changed. Will the name "Canada House" be continued? At the present time they are carving the Canadian coat of arms on the outside of the building.

Mr. LEGER: If there is a problem connected with the use of the expression "Canada House" in New York, I presume it will have to be taken up with the Department of the Secretary of State.

Mr. PEARSON: Is it true, with this change, that there will be a Canadian consulate in one part of New York with its own switchboard and services, Canadian immigration offices some place else, and the Canadian delegation to the United Nations which is a large delegation some ten blocks away with its own switchboard and services and all that kind of thing?

Mr. MACNAUGHTON: And also the Canadian tourist bureau in a separate location.

The CHAIRMAN: Gentlemen, if you will permit the chair to say a word, I think it was in 1952 that I was in New York making a short tour of the United Nations, and at that time I called on our representative there, the gentleman from London, Ontario, the Honourable Ray Lawson. And at that time the Canada House project was one in which he was very very interested. I know Ray very well and we discussed it for some time. His hope at that time was that it would be purely a Canadian centre. I think it was a very worth while project.

But as I understand it now, after having talked with our Dr. McKay at our United Nations headquarters recently, a difficulty arose apparently from the financing—I shall make this very short—which was not forthcoming from Canadian investors to the extent that it had been hoped or that the enterprise had hoped. Consequently it is not purely a Canadian investment. Other financial interests are controlling the building. Consequently Dr. McKay in his talks with me just very recently, said that while he regretted it because it was an ideal situation or development, which he thought would be advantageous to Canada, he felt that the proper steps were being taken. That was Dr. McKay's attitude when I was there. I was just as surprised as was Mr. Macnaughton and others to learn that apparently the situation had changed to the extent that it was felt unwise to carry on with the idea which was begun by Ray Lawson.

Mr. PEARSON: It looks as if this is the end of Canada House in New York.

Mr. KNOWLES (*Winnipeg North Centre*): And it looks as if this is the end of this session.

Mr. LEGER: May I now answer the question about the annual rental for the offices in Canberra? It is \$2,900 a year,

And a second point: since there are some changes in the main estimates that you now have, would it be satisfactory if the corrected estimates were passed to the secretary for inclusion in the minutes of this meeting?

Agreed.

Mr. PEARSON: Did you get the rental for the Brussels building?

Mr. KUCHEREPA: Could we have a report at the next meeting as to what we get in the way of subventions from the various countries where we have long term and short term leases, having in mind the large capital investment in the various properties?

Mr. LEGER: Quite!

The CHAIRMAN: Before we adjourn I would draw to your attention the two meetings on item 114 on Tuesday with Mr. Cavell, and to the meeting on Thursday.

Mr. PEARSON: Before we leave, would you ask for the information as to what rentals we paid for the various buildings where we have to pay rentals at all?

Mr. LEGER: We could give you the whole list of our rentals, if that is satisfactory to the committee.

Agreed.

Mr. KUCHEREPA: Could you tell us what consideration we get from the local taxing authorities?

Mr. HOLOWACH: May we discuss this subject further at our next meeting?

The CHAIRMAN: Not at our next meeting, but probably when we return to this item. Mr. Cavell has to leave Canada very soon so we have to hear him while he is still available.











HOUSE OF COMMONS

First Session—Twenty-third Parliament

Government  
Publications

1957

STANDING COMMITTEE

ON

**EXTERNAL AFFAIRS**

Chairman: H. O. WHITE, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

TUESDAY, DECEMBER 10, 1957

MAIN ESTIMATES OF THE DEPARTMENT OF  
EXTERNAL AFFAIRS—1957-58

WITNESSES

R. G. Nik Cavell, Administrator, International Economic and Technical Co-operation Division; Department of Trade and Commerce; D. W. Bartlett, Chief, Technical Co-operation Service; W. D. Matthews, Assistant Under-Secretary of State for External Affairs; R. Grey, Economic Division, Department of External Affairs.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1957.

STANDING COMMITTEE ON EXTERNAL AFFAIRS

*Chairman:* H. O. White, Esq.

and Messrs.

Aitken, Miss  
Argue,  
Best,  
Breton,  
Cannon,  
Cardin,  
Coldwell,  
Crestohl,  
Fairfield,  
Garland,  
Gauthier  
(*Lake St. John*),

Haidasz,  
Henderson,  
Herridge,  
Holowach,  
Jones,  
Jung,  
Knowles (*Winnipeg  
North Centre*),  
Kucherepa,  
Low,  
MacEachen,  
Macnaughton,

Macquarrie,  
Martin (*Essex East*),  
McCleave,  
McGee,  
Montgomery,  
Patterson,  
Pearson,  
Pratt,  
Rea,  
Smith (*Calgary South*),  
Stick,  
Stuart (*Charlotte*)—35.

(Quorum 10)

J. E. O'Connor,  
*Clerk of the Committee.*

ORDER OF REFERENCE

WEDNESDAY, December 4, 1957.

*Ordered*,—That the name of Mr. Henderson be substituted for that of Mr. Richard (*Ottawa East*) on the said Committee.

*Attest.*

LEON J. RAYMOND,  
*Clerk of the House.*





## MINUTES OF PROCEEDINGS

TUESDAY A.M., December 10, 1957.

The Standing Committee on External Affairs met at 11.10 a.m. this day. The Chairman, Mr. H. O. White, presided.

*Members present:* Miss Aitken, Messrs. Argue, Best, Cannon, Cardin, Coldwell, Fairfield, Gauthier (*Lake St. John*), Haidasz, Herridge, Henderson, Holowach, Jung, Knowles (*Winnipeg North Centre*), Kucherepa, Low, Macquarrie, Montgomery, McCleave, McGee, Patterson, Pratt, Smith (*Calgary South*), and White.—(24)

*In attendance:* Messrs. R. G. Nik Cavell, Administrator, International Economic and Technical Co-operation Division, Department of Trade and Commerce; R. W. Rosenthal, Assistant Administrator; F. E. Pratt, Chief, Capital Projects Section; D. W. Bartlett, Chief, Technical Co-operation Service; J. H. Marshall, Assistant Chief, Capital Projects Section.

The Chairman, after observing the presence of quorum, introduced Mr. Cavell.

Mr. Cavell made a statement concerning economic and political developments in South East Asia. Referring to the Colombo Plan and Canada's participation in it, Mr. Cavell made mention of the following subjects:

1. NRX Reactor—Bombay.
2. Warsak Irrigation and Electric Generation Project—Pakistan.
3. Kundah Hydro-electric project—South India.
4. Fisheries—Ceylon.
5. Technical Assistance
  - (a) Medical teams
  - (b) Technical experts on loan
  - (c) Training in Canada of students.

By leave of the Committee it was ordered that the following documents presented by Mr. Cavell and copies of which were distributed to Members of the Committee, be printed as appendices to the record of today's proceedings:

1. Statement of Canadian Colombo Plan Capital Aid as at March 31, 1957 (*See Appendix A*).
2. Statistical Summary of Technical Co-operation Program 1950—31 March 1957 (*See Appendix B*).
3. Canadian Colombo Plan Assistance—Financial Statement (*See Appendix C*).

The Chairman announced that Mr. Cavell's statement related to Item 114 of the Main Estimates of the Department of External Affairs.

Mr. Cavell was questioned by Members of the Committee.

Mr. Cavell's questioning continuing, the Committee adjourned at 1.00 p.m. to meet again at 3.30 p.m. this day.

## AFTERNOON MEETING

3.45 p.m.

The Standing Committee on External Affairs met at 3.45 pm. this day. The Chairman, Mr. H. O. White, presided.

*Members present:* Miss Aitken, Messrs. Argue, Best, Cardin, Fairfield, Herridge, Henderson, Holowach, Jung, Kucherepa, Macnaughton, Macquarrie, Montgomery, McCleave, Patterson, Pratt, Smith (*Calgary South*), Stick, and White.—(19)

*In attendance:* Messrs. R. G. Nik Cavell, Administrator, International Economic and Technical Co-operation Division, Department of Trade and Commerce; R. W. Rosenthal, Assistant Administrator; F. E. Pratt, Chief, Capital Projects Section, D. W. Bartlett, Chief, Technical Co-operation Service; J. H. Marshall, Assistant Chief, Capital Projects Section, W. D. Matthews, Assistant Under-Secretary of State for External Affairs; R. Grey, Economic Division.

The Chairman called the meeting to order and suggested that Members might continue to question Mr. Cavell.

Mr. Cavell's questioning concluded, he was thanked by the Chairman and retired.

Item 114—Colombo Plan—adopted.

The Committee reverted to consideration of Item 94—General Administration, and Mr. W. D. Matthews, Assistant Under-Secretary of State for External Affairs was invited by the Chairman to read a statement on behalf of the Secretary of State for External Affairs relating to SUNFED and United Nations Technical Assistance to underdeveloped countries.

Following the statement, Mr. Matthews and Mr. R. Grey of the Economic Division of the Department of External Affairs were questioned by Members of the Committee

Item 94—General Administration was allowed to stand and the Committee proceeded with the consideration of Item 95—Passport Office.

Following discussion, Item 95 was adopted.

Item 96—Representation abroad—Operational—was called and adopted.

Item 97—Representation Abroad Capital—was called and allowed to stand.

Item 98—Official Hospitality—was called and adopted.

Item 99—Relief and Repatriation—Distressed Canadians—was called and adopted.

Item 100—Representation at International Conferences—was called and adopted.

Item 101—Grant to the United Nations Association in Canada—was called and adopted.

Item 102—Grant to the International Red Cross—was called and adopted.

Item 103—Grant to Canadian Atlantic Co-ordinating Committee—was called and allowed to stand.

Item 104—Fellowships and scholarships—was called and adopted subject to a reduction of \$500 recommended by the Secretary of State for External Affairs.

Item 105—Assessment in International Organizations—was called and allowed to stand.

The Committee adjourned at 5.40 p.m. to meet again at 3.00 p.m. Wednesday, December 11, 1957.

J. E. O'Connor,  
*Clerk of the Committee.*

## EVIDENCE

TUESDAY, December 10, 1957.  
11:10 a.m.

The CHAIRMAN: I see we have a quorum so we will commence the meeting without further delay.

This morning we are pleased to welcome a man who is well known not only to members of the committee, but very well known in Canada because of his work. I am just going to ask Mr. Cavell to read his report, and after the report is completed, we will have questions.

**Mr. Nik Cavell, Administrator,  
International Economic and Technical Co-operation Division,  
Department of Trade and Commerce, called:**

The WITNESS: Mr. Chairman and members of the committee: I appeared before you last on May 3, 1956, and at that time I told you that in addition to our Technical Assistance program, that is the training of Asians by bringing them here and sending Canadian experts to Asia, we had 60 Capital Projects either completed or in process of being so. Today, the number stands at 79. But before I go into the details of these projects, I would like to say a few words about the Plan itself and the overall situation in Asia into which it has to fit.

Last year I attended the Colombo Plan Consultative Committee meeting in New Zealand and on my way back, during the first three months of this year, I visited practically all the countries of South and South East Asia. I cannot say that I was happy about what I saw, in fact, far from being happy, I was profoundly disturbed. The political unrest in some of these countries makes economic advancement on a sound basis extremely difficult. In all of them, leaders are struggling with a large number of economic and constitutional problems which they must try to solve against a background of poverty, ignorance, illiteracy and other extremely adverse conditions. Their peoples have now glimpsed a better way of life and these leaders face the problem of keeping development ahead of public discontent. The economies of these countries are predominantly agricultural at a low level of productivity; there are too many people on too small an area of land. The problem is how quickly to improve agricultural methods and so grow more food and concurrently set up industries, large and small, to mop up the vast number of under, and unemployed people.

The problem would be easier of solution were it not for the continuous disruptive voice of the totalitarian agitators who are everywhere constantly stirring up trouble and unsettling public opinion. I believe that so far as they understand the situation, the people of South and South East Asia who still have political and ideological choice, want to be democratic and live peacefully in a free world, but there are undoubtedly grave difficulties in making democracy—as we know it on the North American Continent—fit into the conditions to be found today in Asia. Democracy, to be successful, needs a high standard of education plus a sense of political discipline. The



countries of Asia, and particularly of South and South East Asia, have in recent years passed through bewildering phases of government and lack of government.

Their colonial overlords, where they had them, were driven out by the Japanese. The Japanese, defeated in the war, were in turn thrown out by the returning colonial powers. Those powers then voluntarily withdrew or were compelled to do so by revolt and civil war. In some countries, these difficulties have been followed by internal struggles for power which have not yet been fully resolved. The results of all this change and political confusion is only too evident. The establishment of the new state of Pakistan is still giving rise to a serious refugee problem in India and Pakistan; both have had to deal with millions of such refugees. Some countries are still trying to evolve constitutions and forms of government suitable to their own particular needs; others, such, for instance, as India, have passed that stage. All of them are struggling with economic development, educational advancement and all the many problems inherent in their main task of raising living standards. This is an extremely difficult period for them all and they, as well as we, are caught up in all the complications of the cold war. Not only do they need our aid, but their leaders, the members of their legislatures, and their top civil servants need to know that they have our sympathy, moral support and an understanding of their problems.

These problems are not theirs alone. Upon their successful solution rests the political future of Asia and upon the future of Asia depends, far more than I am afraid many of us realize, the future of the free world and thereby eventually the future prosperity of our own country.

I would like to think that in our aid to the underdeveloped countries we are actuated only by our Christian ideals and humanitarian principles, but, for the moment, let us suppose that we are also concerned about the material nature of our future, the preservation of a free world and our democratic way of life. Taking those realistic factors into consideration, the balance of power and whether it accumulates to the advantage of Totalitarianism or a Free World is something of vital importance to us.

The forces of Totalitarianism were greatly strengthened when several countries of Europe were taken behind the Iron Curtain. The same forces were immeasurably strengthened again when 600 million hard-working Chinese took the same course. The Chinese are people of fine character, capable of being moulded into the greatest work force in the world.

Today, 400 million Indians are struggling to keep their heads above water by democratic methods and the rest of Asia is watching critically to see whether China or India will make most progress in raising the living standards of their people over the next few years. If the methods of free democracy fail in India, once more world communism and totalitarian force will be greatly strengthened and the free world correspondingly weakened. Should such a catastrophe happen to India, the free world would virtually have lost its contacts with the whole of Asia, with its vast trade potential and its culture. In this connection, we must remember that we, the white race, are a minority on this earth and, incidentally, also a small minority in the Commonwealth. So that, should India and some of the other nations of Asia be taken into the communist world, the majority of mankind would come to live under the totalitarian system. Their huge work output would go to strengthen that system and the pressure on the free western world could eventually become intolerable. We should have lost the world's greatest trading potential, which is the millions of Asia who would then be under the control of the forces of totalitarianism. Our hope of a world eventually governed by international law and of mankind living in peace and freedom would be dead. We should



be faced by a shrinking world market instead of the great expansion upon which our free world system must depend.

What particularly depressed me this year was the new Red tactic in Asia: their use of democratic voting machinery to obtain power. In all too many countries I found this new tactic gaining them municipal victories. In southern India, the whole State of Kerala has been won in this way and now has a communist government. In Indonesia, the already difficult position of the Central Government has been made more difficult by this new tactic. Everywhere in Asia, communists are endeavouring to obtain influence in all established governing bodies, to get control of trade unions and by posing as ardent nationalists, they pretend to embrace the aims and objectives of these weak and struggling peoples who do not understand the true nature of communism with its forced collectivization of land, the suppression of the real objectives of trade unionism and the destruction from within of all free forms of government.

Before I go on to report on our Canadian aid work, I would like to say this: it is not aid alone which will stem the tide of communism in Asia. The West as a whole has to give the Asians a sense of belonging, a source of being a part, and a very important part, of that better and safer world we are trying to build. Actually, we obviously cannot build such a world unless the great majority of mankind is prepared to work with us. The West must give the Asians the idea that they are engaged with us in the great, worthwhile endeavour of keeping the world free. We must always remember that Confucius once said: "An empty stomach does not dwell on high principles"—in other words, a hungry man does not worry about freedom or anything except filling his own and his children's stomachs. This then is the background against which the aid endeavour of the West must be put.

As I think I said the last time I appeared before this committee, we have always tried, and are still trying, to do fundamental things which will enable these governments to put a floor under the living standards of their people. I should be talking all day were I to attempt to go over all the projects—79 of them—which we have undertaken.

The last time I appeared here I put before you a complete list of those projects. I have now brought that list up to date to March 31, 1957, and with your permission, Mr. Chairman, I would like to table it for inclusion in the minutes under the heading "Statement of Canadian Colombo Plan Capital Aid". I have here a number of copies and, again with your permission, Mr. Chairman, I would like to distribute them. If members of the committee would look this over, which will not take them very long, I shall be only too happy to try to explain anything mentioned in this statement which is not entirely clear to them. It will be noted that power projects have absorbed a large amount of the funds and this I submit is as it should be.

Nothing much can be done in an underdeveloped area until there is an adequate supply of power available. Only after power is available will industries move in, factories be built and the general process of industrialization commence in any given area. Also, in virtually all the countries of Asia, it is vitally necessary to enable them to grow more food and thus be relieved of the crushing burden of overseas purchase of food without the necessary exports to enable them to pay for it. This growing of more food depends very largely on irrigation. Rainfall in Asia is an unreliable asset at the best of times and when it fails, famine quickly rears its ugly head. Irrigation is the answer and it can be accomplished in several ways: through the big power dams large enough to generate power and to provide irrigation, and through the power from such dams actuating electric pumps for the pumping of irrigation water. In many parts of Pakistan, land is going out of cultivation because of the rise in the water table and the lifting of salts into the top soil. In such

areas, and there are all too many of them, these salts must be washed out of the good soil if it is to be returned to fertility. This means large pumping operations with sweet water which must be pumped up from great depths. The Food and Agriculture Organization of the United Nations has a number of plans in various areas for this work to be done but no money with which to do it and here again, power from Canada is the answer. There is probably no country in the world which has had more experience than we have had in the development of all kinds of power and therefore, it is relatively easy to find in Canada extremely competent consulting engineers who can bring power dams and electrical generating stations into being in these arid parts of the world.

This matter of power affords me an opportunity to refer to the atomic reactor which we are currently building near Bombay in India. In India, most of the available conveniently situated hydro-electric power sites have now been developed and fuel for thermal plants is not readily available and is very expensive when it is. The more technically advanced of the underdeveloped countries of Asia are therefore thinking in terms of nuclear power. In this respect, India is particularly fortunate in that she has a great atomic scientist of world renown in the person of Dr. Bhabha who has set up a nuclear centre just outside Bombay, but this centre was not fully equipped. Its objective is the furtherance of nuclear science in India for peaceful purposes and it needed a reactor for the training of young scientists in the art of developing power reactors. With Canada and India dividing the costs between them, we are putting up at this centre a copy of the NRX Reactor at Chalk River. The arrangement is that India is not only to train her own young scientists there but also similar young men from the South and South East Asian area in general.

There is one further power development which I had better mention and that is the power dam we are building for Pakistan at Warsak near the famous Khyber Pass. That, in conjunction with Pakistan, we are now engaged in there is nothing short of the rehabilitation of the North West Frontier tribal area. Because of the backwardness of this area, it has been one of our most difficult projects. It was designed by Canadian consulting engineers and is being brought into being by a Canadian contractor. Roughly 100 Canadians and their families are now living there. The initial difficulties, I am happy to say, have been overcome and very considerable progress has been made since I was last before this committee. A very fine effort of co-operation between the rough, tough tribesmen and our Canadians has resulted in driving through a very difficult and treacherous rock formation a very large diversion tunnel. Experts said this could not be done but it has been done and the river is now diverted into this rock tunnel and the building of the actual dam has been started. Not only is this working together with the Pakistanis a great advantage to them, because it is one of the finest ways in which their engineers can gain practical experience for big construction jobs, but it is also a valuable educational experience for a large Canadian contracting organization in the intricacies of working abroad and, particularly, in countries where different methods have to be adopted from those usually followed in Canada. This is only one of the ways in which there is a knitting together of the skills and the requirements of our two different civilizations.

In southern India, the Kundah Hydro-Electric Project is another fundamental piece of work we have undertaken. In that area of southern India, famine continually raises its ugly head. It arises because of periodic lack of rainfall which seriously lowers the water table. All wells have then to be dug much deeper and it becomes impossible for a pair of bullocks to haul the water up. In actual fact, a pair of bullocks thus employed are virtually



killed in a few months. The only answer is pumps and they are impossible without power. Kundah is a remarkable development in that the same water flowing from the Nilgiri Hills on its route to the plains is being made to pass through three power stations, one below the other. In this way, 180,000 kilowatts of power will be generated and this can be later expanded. This means that cultivators will be able to pump water from deep wells and thus grow food even in what previously have been famine times. Obviously this actually saves lives from famine starvation. There will also be enough power generated to improve the power grids which are being spread all over southern India so that small industries and more mills can be brought into being to mop up unemployment in what is one of the most over-populated parts of the whole world.

I would not like you gentlemen to go away with the idea that we have been exclusively engaged in producing power stations. Our fisheries project in Ceylon is now virtually finished. What we have done there is to chart the waters around the island to find out where the fish are at certain times of the year and where they breed, and in this process our Canadian scientists have produced a large volume of information. Other Canadians from the west and east coasts of Canada have been teaching up-to-date fishing methods and introducing new types of gear. Trawlers are now in operation and, what is more important, the poor fishermen of the coastal areas have been taught new skills which have brought them more income. Canadian co-operative experts have introduced co-operative methods with considerable advantage and the refrigeration plant, which was a vital necessity to the overall fishing industry, is now finished and is operating to the great advantage of that industry. This was intended to be a pilot plant to show what could be done. We are now moving into better marketing techniques, again with Canadians leading the way.

In the period since I last appeared before this committee, we have done some work in the medical field. We put together a medical team which was headed by that great Canadian, Dr. Wilder Penfield. He went out to the area and toured their hospitals, giving lectures on surgery in general and his own branch of brain surgery. He also went into such matters as hospital organization in several countries. I had the good fortune to follow him around and can therefore testify to the great impetus which he gave to medical practice in the South East Asian area. We also sent out a team of Canadian tuberculosis experts to assist these countries in improving their methods for coping with what can justly be called the scourge of Asia. We are sending cobalt therapy bombs to several hospitals which are capable of using them, but before we do that, we have to send out Canadian medical experts to make sure that this apparatus is properly housed and that the staff exists to use it properly. We are still contributing Canadian nurses for the training of South East Asian nurses in various areas and I am very happy to be able to say that in all cases our nurses have been well received and have done a magnificent job. Their task is not an easy one; the concept of nursing in these areas is very different from our own and our girls have to be adaptable as well as extremely competent if they are to accomplish anything.

This leads me into the field of technical assistance. As I explained when I was before the committee last time, our work divides into capital projects, which I have now dealt with, and technical assistance, about which I should like to tell you something. Technical assistance is one of the vital needs of all underdeveloped areas. It is useless to put in capital equipment unless there are trained technicians to look after it and the more complicated the equipment, the more necessary this becomes. As in the case of capital equipment, I can best give an overall picture of our technical assistance

operation through the medium of a statement and if the chairman will give me permission to do so, I would like to table a "Statistical Summary of our Technical Cooperation Program up to 31st of March, 1957". Again, with the chairman's permission, I would like to circulate this document amongst you and will be very happy to try to answer any questions to which it might give rise.

As you will see, we have had quite a substantial number of students here from many countries. We have done our best to give them knowledge of our Canadian skills and to send them back better able to deal with the rising technical problems of industry in their own countries. But whilst all that is extremely important, what I feel is equally important is the glimpse they get of a free democratic country at work. They begin to realize that what we have done here in Canada they can do eventually in their own countries if they are willing to prepare themselves and to work hard, and I have had many instances of young men who have gone back with an entirely different outlook on their problems after spending some time in this country. They make friends here and we try to make friends of them, which is all to the good, in a world which so badly needs more integration and understanding between nations.

Before I leave the technical assistance side of our work, I must mention the Canadian experts we send to the various countries of South, and South East Asia to teach in technical and other schools and colleges, to advise in many fields including economists, doctors in hospitals and many others. These experts have to be chosen with great care, not only must they be competent in their many fields of work but also they must be men and women of great patience and understanding. They are not easy to find because they must all be people of exceptional ability and character. But our staff engaged exclusively on this work does manage to find them and persuade them to undertake difficult assignments, often in remote parts of Asia.

I think, gentlemen, about all I need to do now is to put before you the financial aspects of our operation and here again, with the permission of your chairman, I would like to put into the record and circulate amongst you four tables. Table No. 1 shows the funds voted in each fiscal year since the Plan started. Table No. 2 shows how those funds have been divided up amongst the various countries. Table No. 3 shows allocations to capital projects up to March 31st, 1957. Table No. 4 shows expenditures on technical assistance up to March 31st, 1957. In other words, gentlemen, to make myself a little clearer, tables 1 and 2 show funds voted and their total distribution; tables 3 and 4 show that distribution as between capital and technical assistance, which I explained before are the two branches of our operation.

I think, Mr. Chairman, that concludes about all the useful information which I can give your committee today, and I shall, of course, be only too happy to try to answer any questions which your members care to ask. To assist me in this, I have brought with me to this meeting my able assistants who are Mr. R. W. Rosenthal, the Assistant Administrator, Mr. F. E. Pratt, the Chief of our Capital Projects Section, Mr. J. H. Marshall, who is Mr. Pratt's assistant, and whose head is full of figures, and last, but not least, Mr. D. W. Bartlett, who is the Chief of our Technical Cooperation Service.

The CHAIRMAN: On behalf of the committee, I thank you, Mr. Cavell, for the interesting and full explanation you have given us of your activities.

Does Mr. Cavell have the permission of the committee to table the various documents which he has tendered?



Mr. KNOWLES (*Winnipeg North Centre*): And that would include their being printed in the record?

The CHAIRMAN: Yes.

Agreed.

(See appendices A, B and C.)

In my opening remarks I intended to mention that we were now discussing item 114.

Item 114—Terminable Services—Colombo Plan ..... \$34,400,000

Now I presume that you would like to have a moment or two to look over this statement and then we may proceed with any questions you might wish to direct to Mr. Cavell or to his able assistants here.

*By Mr. Jung:*

Q. May I ask Mr. Cavell a question while the rest of the committee are looking over his report? No one, probably, is more interested in this aspect of external affairs than I, and I am most gratified to find that the official views of this government coincide so very much with my own. But two things have arisen in my mind while listening to Mr. Cavell; first, there seems to be great stress on the need for economic development—to say that people who have empty stomachs have no time for political principles or something similar to that; and at the same time I am concerned about educational measures.

It seems to me that unless people have the ability to read and to have free intercourse of ideas and discussion we do not seem to make too much progress in our assistance plan. Food in itself does help, but without education we cannot get our full measure. Is there any major portion of it devoted to education? For example, when we go to those governments and say: here is so much for technical assistance, do they object to our saying that so much of it should be allocated to education? Have we encountered anything from them in the way of opposition to the instituting of educational measures in, let us say, the primary and secondary levels? I know we have university plans here, but is there anything that could be increased?—A. It is extremely difficult for us to get into education on anything but the higher levels. In India, for example, we are dealing with twelve major languages and many dialects and it would be extremely difficult for us to work with such a large number of dialects. I think it is recognized in that field that we must leave primary education largely to be carried on by the government themselves because we cannot train our teachers to learn all those languages. It would take them a lifetime to learn your Chinese, for example.

Q. And I still do not speak it properly.—A. So we of necessity have to leave the primary levels to the countries themselves. There have been cases where western aid has helped at the primary level. UNESCO, for example, does a very fine job in this respect in trying to face up to the field difficulties. But Canada is not equipped really to enter into all fields. UNESCO does a magnificent job in this educational field.

We have given visual aids for primary education where they have been asked for, and we have given tools and machinery for technical schools. We have given vans for cinematographic displays where they could be useful. We have tried to do what we can in the major field in which we could help.

Q. It is very similar to the division between the federal and the provincial responsibilities in the field of education.

*By Mr. Low:*

Q. I wonder if Mr. Cavell would mind telling the committee what progress has been made in removing one of the worst barriers to educational effort especially in countries like India—that is, communication. I think that one of the problems the authorities have to face in those countries over the years has been the lack of communication facilities—radio, telephones and all that sort of thing. Can you tell us what progress is being made?—A. There is progress being made. I have no figures in my head, but all India Radio for instance is constantly expanding. India produces more short educational films, I think, than any other country in the world, and these are shown all over the country. There is a telephone network, not yet by any means complete. I think on the whole in most of these countries communication is expanding at about the same rate as other things. We all know that is all too slowly. However, communication is taking its place in the general field of expansion.

*By Mr. Jung:*

Q. In connection with the same problem, education, have you any facts on how many students have come over to attend our universities?—A. Yes. That is contained in the statistics which I tabled. The exact number is given up to the 31st March.

*By Mr. Cannon:*

Q. I would like to ask a general question before we get into the details of the various projects. I notice that you have mentioned technical assistance and the necessity of sending technicians into these different countries in order to improve their technical knowledge. I was wondering whether our technical men met with other technicians such as those of the Soviet—I do not mean to cooperate with them, but do they come up against them, and if the Soviets are sending technicians into the same countries that we are sending them, if they interfere at all with the work we are doing—A. First of all, they are sending them, not on the general plan that we are sending them, but rather for specific purposes. In India, for instance, they have sent some for geological work and in Burma they are erecting some buildings, and technicians are being sent to assist in the construction.

We send our people, as listed in the statement which has been tabled, but not for such narrow purposes. The Russians have some trouble because no one speaks Russian. At the university educational level English is the language of instruction throughout most of the countries.

Q. Would you say that the number of technicians we are sending compares with the number of technicians which are sent by Russia?—A. If you take it overall from the west, and not just from Canada, we send many, many more than the Russians. The Russians are slowly getting into this field. But so far the west has sent many more.

Q. When we got in there first under the Colombo Plan, is it fair to say that we beat the Russians to it and that we got established before the Russians?—A. Yes sir, in the whole field of aid I think we are three or four years ahead of them.

*By Mr. Low:*

Q. Would Mr. Cavell say whether or not the machinery now has been well enough established so that more assistance under the Colombo Plan and the technical assistance program could be used in those countries to advantage? Two years ago, I think, when you gave your first report to this committee, one of the problems was that we did not have the machinery capable of using more aid than we were then giving. Now, what is the

situation?—A. The situation is very much better. The overall situation is improving all the time in that regard. We are learning how to do the job better—and when I say “we”, I mean the west. I do not say there is not room still for much more improvement, and I would not want to say that the present form of aid is a form that should continue for all time, we must advance with these things as we go along. In all the countries they are setting up better establishments to deal with aid. Some are better than others. I think the best one is India, but all the others are improving in their ability to absorb aid from the west.

Q. So it would be possible then, under the Colombo Plan, for the donors to contribute much more and still be assured that it would be handled properly and absorbed?—A. Here you are getting me into a difficulty which the committee often gets me into. I am only an official and I spend what I am given. It is not for me to say whether more money should be given or not. But if you ask if the countries are better equipped to absorb more in the way of aid, then the answer would be yes.

*By Mr. Patterson:*

Q. Mr. Chairman: I listened with interest to the report Mr. Cavell gave and it seems to me that I detected a very definite change in the tenor of his remarks this morning. There seemed to be an increasing sense or realization of the dangers of communist expansion in that area and also the problems that we are faced with in combating that situation. Now, Mr. Cavell, would you say that that danger has become more acute as the months have gone by, or can you give us any encouraging factors which would help us to believe we are making some gains and are holding our own against the tide of communism?—A. I think so. We are making very definite gains; but on the other hand we must remember that the totalitarians are stepping up their efforts. In all the countries which I visited this year one could see evidence of that stepping up. There have been visits to the areas—for instance, by Mr. Chou En-lai. I watched his progress through the area and followed it, and it was very impressive. Then there have been visits by the Russians, and their visits too were impressive. They have something which we cannot have. They have cells in all these countries that are constantly working at the people's level. Democracy does not have these cells so we are at a disadvantage there. What the future will bring forth I do not know, but I did say in my statement that I am very apprehensive about the rising tide of communism in that area.

Q. You would not say it was just mounting, but it was about par now?—A. I would not go that far yet, sir, no, not by any means.

*By Mr. Argue:*

Q. Is not the danger of a rising tide of communism brought about this time to a substantial degree by the general willingness to offer economic assistance? In other words, it is competing with us on what has been our own ground?—A. No sir, I would not put it that way. I think what has happened in Asia today is that people know that they do not have to be poverty stricken. And to come back to Mr. Low's question, the communists have constantly told them they do not need to be hungry and that they can have a better way of life. They say “we have improved, so can you. But you must embrace communism first” that kind of thing is the reason rather than the amount of aid that Russia has given, they are working continually for a different system.



*By Mr. Coldwell:*

Q. Is there much intercourse between India and China? Are they impressed with what is going on in China?—A. That again is a difficult question to answer. I have spoken with Indian engineers and other Indians who have visited China. They have seen some of the big construction jobs that are being done there. And they are impressed as they are also with some of the great jobs that are being done in their own country too. This is an extremely difficult field in which to make up ones mind as to exactly how much they are impressed with development in China.

Q. I have felt that the best test between ourselves and communism depends on whether India was impressed with some of the things that have been done in China, or that are being done there, and there might be a swing towards communism because of the influence of China.—A. I would doubt that at the top. I think the swing to communism in India—in Kerala for instance, where that state has already changed to a communist government—was due to discontent at the bottom and not to any visits to China or anything of that sort. I think that so far as the central government of India are concerned, they have no desire whatsoever to become communists.

Q. You have said that you were greatly impressed with the reception which Chou En-lai received.—A. When he visited the whole area—not only India, in the whole area, he made a very impressive tour.

*By Mr. Patterson:*

Q. I have a question in regard to the same subject. I was going to ask this question in the same context. I wonder if Mr. Cavell could indicate to what extent Soviet assistance has measured up to its promises?—A. I am sorry but I have not got a statement with me. I meant to bring it but I overlooked it. I do not think the Soviet has made any promises that it has not fulfilled. But it has not made very many promises. It promised to help India with a steel mill and it has kept that promise. It promised to send aid to Burma, and it has done so—cement in exchange for rice; that project was not altogether very successful because large quantities of cement became ruined for lack of storage. But on the whole I think their promises have been fulfilled. There are not many. It is not so much aid which enhances the communist cause. But the sense of purpose which they seem to be giving to the area—the sense that they have built a great country, and Asians can do the same if they adopt their methods. What is more of an issue than what they are giving is that sense of purpose. But there is no reason why we should not give the same sense of purpose.

I suppose that at any moment there are from 100 to 200, it may be more civil servants, members of parliament, business men, and other people going back and forth across the Atlantic. But there is never anything like that number visiting Asia. We have not the contacts there that we should have if we are going to stem the rising tide of communism in the area. I am not talking just about Canada but about the west as a whole. We have a gigantic job to do if we want to keep our system alive in those areas, and in my view we are not doing it. I am talking of the west, not Canada alone.

*By Mr. Low:*

Q. To what extent is Russia supplying industrial machinery?—A. Only a few plants a steel mill and one or two other such things.

Q. I did not mean in the amount of aid, but through normal channels?—A. There is some supplied from some of the satellite countries.



*By Mr. Best:*

Q. We seem to be skirting an interesting point. I wonder if Mr. Cavell could give us any advice, or tell us whether we could make better use publicity wise of what we are doing? It seems to me that Russia possibly is getting a lot in India, that she is pulling down a lot publicity wise. Should we have a better program whereby to tell the whole of eastern Asia what we are doing? Is it not a propaganda victory to a certain extent rather than the actual effect of the contributions that they are making?—A. It is a propaganda victory more along ideological grounds as I said just now. The idea is that there is a sense of purpose being sown there which is coming from them into that areas and not from us.

Q. Are we giving a sense of gain generally to the whole of the people in the countries in which we are giving aid?—A. There you run into a very difficult problem and that is the question of whether we want to support the government in power or whether we want to weaken the governments in power. As I see the picture, we must work through the governments such as that of Mr. Nehru, Mr. U.Nu and those of other leaders. We must work through those governments and strengthen them. That is what we are now doing and we must be careful that we do not weaken those governments by refusing them credit for improved conditions.

Moreover, the question of gratitude enters into it. If you should ask whether these people are grateful or not for what we do I would have no hesitation in saying that we should forget about gratitude. Our purpose is to try to build a free and better world. I am not trying to discredit your question but I am trying to say that there are difficulties in the way we blow our trumpet. It is a very difficult field to deal with. In fact the Russians might defeat themselves in the long run by emphasizing what they do and by expecting too much credit for it. I think the quiet way in which we are going along now is by far the best way to get on with the job.

*By Mr. Argue:*

Q. Would Mr. Cavell tell the committee in a very general way, or give us a picture of wheat in India for example, and of economic assistance, and to what extent does India require economic assistance? What is India asking for, and what part of the total need is now being met?—A. Well, sir, at the present time India is, as you all probably know, in a very bad way indeed. The situation is this: she has got through her first five year plan very successfully and as a result of that the overall situation improved by about 18 per cent. India then worked out another five-year plan which is just starting and which is a little more ambitious. She now finds that she is unable to raise the money for that five-year plan. She is very anxious at the present moment to raise about a billion dollars. So far she has been unable to raise that money. Unless that money can be found somewhere or other India has to cut back that plan. The plan covers industrial development, and India now wants to pay more attention to her private sector than she has been paying so far. So far she has been working almost entirely on the government sector or things which she feels the government should do. Now she wants to work on the private sector as well.

This is another factor in the fight which is going on between totalitarianism and the free world in that country. If democracy fails in India it is almost certain to fail in some of the smaller and poorer countries. Therefore what happens in India today is of the utmost importance.

Q. India needs, at the present time, \$1 billion. What sum is India receiving by way of economic assistance now in toto?—A. The Russians loaned them about \$125 millions recently. I cannot, at the moment, give you the overall amount they are receiving.

Q. What is India's share of the Colombo plan?—A. India's share is about \$13 or \$14 million a year from Canada.

Q. What is her share of the total plan?—A. I do not believe we have the figure. It will appear in the book that is published after each consultative committee meeting, and that is circulated to the members.

Q. The Russians have loaned India \$125 million?—A. Yes.

Q. Has any other nation made any loans or grants to India?—A. The International Bank has been even more generous.

*By Mr. Herridge:*

Q. Mr. Chairman, there is quite a percentage of new members on this committee this year and I think it would be most informative if you would tell us how it is decided as to how projects are undertaken in different countries, the procedure, and how it is confirmed and proceeded with.—A. I will be glad to do that. In our contacts with the various countries we know more or less what their overall plans are. There are two ways in which our work is done. There are, of course, our ordinary contacts with them through our High Commissioners, our Ambassadors, our Canadian government offices in their countries, and our diplomatic offices.

Our High Commissioners, Ambassadors and such people in charge of those offices, are of course constantly in touch with the governments of those countries and a large amount of information comes back to us as to what those governments are trying to do, what they are doing, and suggestions as to how we could help. We receive copies of all that information from the Department of External Affairs. Therefore, with a pretty good idea in my mind as to what is possible and what they want us to do, I go out there every year and we try to finalize a programme. They show us the projects in which they are interested and if I think they are something which Canada can do I have them examined by competent people who are able to advise us as to whether they are good or bad. In the end we come up with a list of projects which they want and which Canada could do. I bring this list back to a policy committee which meets here in Ottawa. This policy committee is made up of high officials from the bank, the Department of External Affairs—and the chairman of it is a director in the Department of External Affairs—the Departments of Trade and Commerce and Finance, and our own organization, the Colombo plan administration. We meet and go over these projects. By that time we have acquired a full knowledge as to what each one will cost and we fit these projects into the funds available for the country with which we are dealing.

That is roughly how it is done. When we come up with a final list it is placed before the cabinet and the cabinet asks whatever questions it desires to ask and the list is finalized.

*By Mr. Cannon:*

Q. May I go back for just a moment to the subject which we were discussing previously when Mr. Cavell was speaking about what the Russians had done in relation to what they had promised to do. Mr. Cavell mentioned the cement deal with Burma and the fact that it was not much of a success because a lot of the cement was lost on account of lack of warehouse facilities.—A. Yes.

Q. Is it not also a fact that the Russians put one over on the Burmese in this case insofar as they sent a lot more cement than was asked for and a lot more than they were able to use. I read that somewhere?—A. I would not like to say that. I think there was ineptitude on both sides rather than any deliberate attempt to cause difficulty. I think the principal cause of the

failure of that particular deal was the fact that they sent all the cement at one time. These ports are always congested. They sent, I believe, seventeen ships which was more than Burma could handle and before it was all handled and stored away the rains came.

Q. They sent more than Burma was able to handle at that time and a lot of it was wasted?—A. Yes. But I would hesitate to say that this was deliberate. I think there was failure on both sides; I believe the Burmese failed to make a proper delivery understanding with the Russians and the Russians probably did not realize the lack of facilities.

Q. But it was not a success?—A. No.

Q. And our projects are more of a success?—A. I would hope so.

*By Mr. Jung:*

Q. Mr. Chairman, what I am going to say is rather delicate and I have been thinking about whether or not I should say it. I wonder whether the department has given any consideration to the question of making use of Canadian Chinese or possibly some other minority groups who have received education in Canada. For example, we have a very top flight Canadian Chinese working for the National Research Council now and we have many nurses, dentists, doctors and so on who are being graduated. Tying this in with the remark about the attitude in these eastern countries and the fact that we should not expect gratitude from them, I think there is a most important point which we may overlook, and that is in the eastern countries the people have a very strong affinity for countries like China. They are after all oriental and I think that is one very strong point which we overlook. Persons like Mao and Chou-En-Lai, when they visit these other countries, automatically have something which is an important consideration; they are of the same racial origin and they have a psychological advantage over us. If people are to be grateful they would much rather be grateful to someone of their own kind.

I feel possibly in the past that has been our downfall, that we in the West have come in and said We are superior to you and are doing you a heavy favour and expect you to be grateful to us.

I believe we might appeal to many of these Canadians of other racial backgrounds other than Anglo-Saxon to contribute to this and have them go out under the auspices of the Colombo plan. The mere fact that there is someone there from Canada of a different racial background than Anglo-Saxon would be of value.—A. We have working in India, at the present moment, a Chinese who is working on small industrial development. We had a Japanese nurse from Canada working in India. We use these people wherever we can, but there is no use sending anyone to these countries who is not extremely well qualified.

Q. I realize that.—A. If we are able to obtain people of Asiatic background to go, we prefer to send them.

Q. What efforts have been made to more or less cull the universities to find these people?—A. We attempt to find them, but I would remind you that there are not too many. However, we do attempt to find them. We would prefer to use them if we are able to find them.

Q. I know that fact is not too well known. I know also, among the Canadian Chinese in Vancouver, that if that fact was brought to their attention you might receive some replies.

*By Mr. Patterson:*

Q. In this same connection, I was perusing some of the minutes of the committee of last year, and it seems to me that I remember reading that Mr. Cavell, in replying to a question, stated that these people in these other



countries are rather hesitant about accepting anyone of their own people back as experts. For instance, when there was a suggestion made that a Pakistani be sent back to Pakistan it was said: "We want an expert, not one of these". I think I read that that was the reply.—A. That did happen. We had a well trained Pakistani engineer at Niagara Falls and he went out with a firm of construction engineers. The Pakistanis did object to this. They thought this boy was not old enough and was not experienced enough and they wanted someone who had greater experience. There were comments made to that effect. However, I believe what our friend here is speaking about is something rather different.

Mr. JUNG: Yes. I was not trying to say that a Pakistani should go back to Pakistan but that we should have someone of an oriental background to go to an oriental country. The mere fact that he is of oriental extraction might make things a little easier.

Mr. D. W. BARTLETT (*Chief, Technical Cooperation Service*): There is an interesting thing about this. As you probably know, particularly in south-east Asia, Malaya, Singapore, and that region, there is a considerable problem in connection with the Chinese schools. In one of the colonies there the government has a program to try to integrate all Chinese and they established schools to head off the trouble they have been having in Singapore. They came to us to see if we could find a Canadian of Chinese origin with a knowledge of the language, trained as a teacher, to serve in one of these schools in an attempt to make a bridge. I think we have found a candidate. This bears on what you had in mind.

*By Mr. Knowles (Winnipeg North Centre):*

Q. May I ask whether the people in south-east Asia tend to accept the Russians as being closer to them than we are in the west because of their geographical proximity and because there are some groups within the Soviet Union who are oriental in background?—A. I would doubt whether that is a very great factor. I think the situation in respect to the Russians is simply this: in Asia, or as far as Asia is concerned, the Russians have never been a colonial power, or at least are not now thought of as such.

Q. I note the distinction.—A. Also I think there is no doubt about it that the Soviets have done a gigantic job of building up their economy in a very short time. Asia now sees a great need for haste. They want to pull themselves up quickly and do not want to go on wallowing in misery any longer than they can help. I think they feel what the Russians have done by their methods they also can do. On the other hand one must remember that in countries like Pakistan, India, Ceylon and many others, there is also a desire to remain free. They want to enjoy, if they can, the best of both worlds. It is doubtful if this can be done.

*By Mr. Holowach:*

Q. Obviously we are speaking about the most sensitive problem of all. On the basis of your experience with these peoples' thinking, what is there about communism which seems to appeal to them so much?—A. I think there is something positive about communism. I think it is an extremely positive creed. A lot of its positiveness, of course, is not very advantageous to those who adopt it, but nevertheless it is a positive creed. It is a creed which speaks and acts positively.

Q. What is there that we have been doing that does not seem to have the same appeal for these people that communism has?—A. That takes a little thinking about. Have we ever been able to put down exactly what democracy is and exactly how democracy works? It has taken a long time to build it up

in our free countries. I have seen many attempted explanations of it, but have never seen any positive explanation as to what democracy positively is and how it works in detail. I do feel, however, that we perhaps have to tailor democracy to the needs of these countries. For instance, the democracy which works perfectly well on the North American continent will not necessarily work well in south-east Asia where there is little education behind it and where you have many lacks which we do not have, and where you need a certain amount of authoritarian control before you can really make any system work. It may be that we have to evolve some idea as to how democracy can be tailored to these people. Communism does fit in better with the authoritarian method in some of these countries.

Q. I would agree with you to a point. Are there any suggestions which you might like to make in respect of modifying some aspect of our program so that it would have a greater appeal to these people?—A. No sir, I think our program is all right. We are dealing with two things here; our material program is to help raise their living standards, give them power, give them food when they need it because of famine, help their medical facilities and so on. I do not think there is much wrong with that. The question is whether it can be done quickly enough. That is the point. This is a slow process. Whether we can do all these things quickly enough I think is the material question. Ideologically I believe we could do very much more than we do to put before these people the great advantages of our free world and our free system. There, I think, we do fall down.

Q. Have you any figures in respect of the Soviet assistance policy in capital works, and in technical assistance, to India for example; that is, the total amount of their assistance?—A. I do not think it amounts to very much, by comparison with what the West has done.

Q. The second question is this: what is the legal relationship that exists, with respect to some of this work which we have undertaken in these countries, after completion? Are there any strings attached, any political strings?—A. No, sir, not one. These plants are handed over *holus-bolus* to the countries' governments to do with them what they wish. The only stipulation we make is, if they sell a plant to private industry the money derived from the sale must be put into another government endeavour, or some other equal endeavour. In other words, we are not giving them these plants so that they can be given to private industry. They are given for the benefit of the people of the country, and if sold, the money must again be used for the benefit of the people of the country. That is the only string we tie.

*By Mr. Kucherepa:*

Q. Mr. Chairman, my question to Mr. Cavell is this: he made a remark regarding the fact that Russia had no history of colonialism in Asia. Would Mr. Cavell not agree with me, in part, that certainly in Outer Mongolia under the Czarists regime, and more recently Afghanistan and some Arabian peoples (Moslems), who are now enslaved by Russian communism, they did and they do, have some imperialistic, shall we say, history in the east?—A. I was talking, of course, about the buildup of colonialism over the past 200 or 300 years.

Q. Yes, but there is some Russian imperialism in the east?—A. There has been some, yes.

Q. My next question is: is it not true, Mr. Cavell, that probably from the time of the revolution in Russia and onwards, a tremendous number of people of Asia have been trained in the universities of Russia, not only in the technical fields, but in the humanities as well?—A. I do not know, sir. I would question that. When you say "a great number", I would certainly question it.

Q. My third question is: do you think that an increase in the number of Asian students who come to the western countries to study, not only the

sciences but the humanities as well, would go a long way towards offsetting the basic deficit, as you have explained to this committee?—A. Yes, I think it goes a long way, but you have to remember that there are 400 million people in India, and 600 or 700 million in southeast Asia, and of that number, the total number the West can take is very small.

Q. During the last seven years, more or less, we have absorbed a total of a little over 1,000, which averages approximately 150 a year. Do you not think, in our Canadian institutions, we could absorb more of these students?—A. We might, sir. I must point out, however, that it costs something in the neighbourhood of \$5,000 to bring a student over, keep him, clothe him, educate him and send him back.

Q. My next question Mr. Cavell, is, whether or not you would agree with me that an increase in the technical expenditures involved in educating these people here, or by sending our own trained Canadian experts there, is more desirable probably than the capital outlays which we may be making in the eastern countries?—A. I would not say "more desirable" sir. I would say that one thing we have to look into, of course, is the ability of our own educational establishments to take more of these people.

Q. Having in mind that idea, the fact is that we have established institutions of learning on the American continent, which are rather sparse in the Far East—and we know the problem which confronts us when we attempt to establish a new centre of learning—but having these centres, do you not think we could do more in the scientific and humanitarian field?—A. I think it is very important that these people receive more training, but whether we do it by bringing them here, or whether we help them by setting up educational establishments there, is one of the questions that we are always considering. You can train more people, of course, by putting the money into educational establishments there than you can by bringing them here. Personally, I am very much in favour of bringing top people here, who have influence, so that these top people can look over any of our establishments which interest them and our way of life, and then go back and have a real influence in their country; far more, of course, than a student could have.

Q. Following along with Mr. Young's conception, which he presented to the committee here, would it not be more desirable, perhaps, to bring people over here from Asia for training purposes, rather than taking Canadians with that particular background and sending them back over there where they lost contact, in a great way, with local thinking in that particular area?—A. I think, sir, it depends on the level on which you are thinking.

Q. I am thinking of the university level.—A. I think on the university level, a lot can be done by expanding their universities there and sending the western professors to help them out. I think a lot can be done that way.

Mr. Low: Time is an important matter as well.

The WITNESS: Yes, you can put more people through their own institutions than you can put through ours. When it means turning away Canadian students in order to make room for these people you run into a very difficult problem, and we are already getting to that point.

*By Mr. Kucherepa:*

Q. Have you any opinion as to the number of technical experts who are leaving Canada, for example, and going to these underprivileged countries without being officially sponsored by the Colombo plan? For instance, the city of Toronto yesterday authorized the sending of one of its top dental experts to Cambodia. Is there very much of that going on in the Dominion of Canada?—A. Not very much. Some of that is going on, and it is a rising



tide, I am happy to say. We are copying the United States in this. The universities of the United States adopt certain universities in the Southeast Asian areas. They are sending professors out in that way in order to help bolster these universities. Our people are beginning to think about this.

Q. Having regard to this case I mentioned, where this employee of the corporation of the city of Toronto has been sent out, on leave of absence with pay, to do work in this particular field of dental service, have you any statistics as to how many of these people there are?—A. We can tell you how many we have recruited for the United Nations. I do not think there are very many in the field you are speaking about. Do you know how this came about?

Q. Yes. It came about by way of a request from one of the international organizations to the board of health of the city of Toronto, which recommended this to the corporation who, in turn, acceded to this request.—A. This is, of course, an operation we are engaged in all the time; finding people for organizations like the U.N., the Ford foundation and others who are putting money into these areas. There is a list there of the people we have recruited in that way.

Q. I see that. I wondered if there was a subsequent group from other centres of this country who are not covered there.

Mr. BARTLETT: Over the past year there has been about 110 to 115 Canadians employed as technical experts by the United Nations and southwest agencies. I would think that the individual you referred to is probably under the W.H.O. auspices.

Mr. BARTLETT: There are also a few employed by the United States aid

Mr. KUCHEREPA: Yes, I would think so.

Mr. BARTLETT: There are also a few employed by the United States aid program. They are looking particularly for French speaking people. We, of course, have no idea how many may be employed by church organizations, the Friend service, and allied groups like that. There are something over 100.

*By Mr. Argue:*

Q. There has been a good deal of comment throughout the technical professions in university groups, and so on, and we have all, of course, read about the widespread unemployment in India. I have read in the newspapers, and on this item I would like to comment, that there are 500,000 university graduates in India who do not have full time employment. Is that just fiction, or is there some truth in it?—A. I would think it was higher than that. I would question that figure.

Q. You think it is higher than that?—A. Yes.

Q. Does that not seem to suggest that the great need, and the main need, is for a vast expansion of capital assistance in that area so that these trained people may be employed? They may require additional training in certain specific fields, of course.—A. Yes. There is need for capital and there is a lot in what you have said. We have been trying to help the situation by setting up technical schools. We have one in Burma, one in Malaya and one in Ceylon, with a view to changing some of the types of education. In regard to arts, that type of training is well taken care of, almost too well taken care of. What they need now is practical people, and that is what the technical school program attempts to do.

Q. If these people were trained in a practical way, is there sufficient capital going into the area to put them to work?—A. One is dependent on the other. We are trying to fill in the gaps to a very large extent, sir, by the training we are giving and our capital projects. Of course, our effort is very small in the over-all picture. I think it can be said that the whole of the aid educational program now is towards technical training, because that is the great

need. As I said in my opening remarks, if you are going to put technical equipment in, then you must have a vast army of people to look after it. With regard to tractor and such like equipment, when and where it becomes possible to use it on the land, it requires a very large technical army.

Q. If there was a vast expansion in the capital assistance and equipment going into that area would it be possible, in your opinion, to overcome the shortage of technical personnel?—A. Over a number of years it will be possible, sir, but it will take a long time. It takes a long time to set up, equip, and find teachers for a technical school. That is one of the great problems we are up against in the whole of this endeavour. We are trying to do something more quickly, I think, than it can really be done effectively. This is one of the problems we all have in the aid field. There is a great urgency always behind us, very largely brought about by the background of the cold war. We are all trying to work against emergency and we are running into difficulties which only time will cure, if we have the time.

*By Mr. Best:*

Q. Mr. Chairman, are these one-half million plus, partially employed university graduates in India, largely educated in the humanities, or in the technical fields?—A. They are educated in the humanities.

Q. They are graduates from Indian universities in cultural fields?—A. That is right, sir.

Q. There is no— —A. May I make one remark, sir, before you go on? Mr. Nehru's scheme of community development has picked up a lot of these people. He is running them through schools—

Q. In essential planning?—A. —of essential village planning and that sort of thing, and sending them to the villages to try and help the villagers.

Q. On table I, under "Colombo plan", I was surprised and wondered what the reasons were, that in 1951 there were 31 arrivals; in 1956, 253 arrivals, and then it drops very considerably in 1957.—A. Where is this, sir?

Q. In table I, page one, at the top of this brief under "Colombo plan", the first horizontal column.

Mr. BARTLETT: The reason is; this table is based on calendar years and 1957 shows only the first quarter.

Mr. BEST: I see. Is a drop indicated there?

Mr. BARTLETT: A slight drop.

Mr. BEST: It is approximately a 50 per cent drop, but you say it is not significant?

Mr. BARTLETT: Of course, we have not got the year end figures yet. They will show some increase at the end of the year, but obviously not as great as the year previous.

Mr. BEST: Thank you.

*By Mr. Holowach:*

Q. Mr. Chairman, in respect to this problem of foreign aid, as you indicated yourself, sir, it is being given against a background of cold war. I wanted to get your reaction to this suggestion. As I see it, each country—the U.S.S.R. in this particular case, and Canada—is making contributions to the general welfare of this nation, India. In the process, each country, to a degree, is exploiting that particular offer propaganda-wise. Would it not merit consideration, if some of this aid was brought together in order to lump the successful propaganda, which the U.S.S.R. promotes, with respect to the aid that they are giving to these countries? In other words, would not a pooling of aid disarm the propaganda which the U.S.S.R. seems to conduct so successfully in those

countries?—A. I doubt, sir, whether it is necessary to pool aid to bring about a better appreciation of the western way of life. That is really what your question amounts to. The pooling of aid would create all kinds of problems. You would have to have an enormous over-all bureaucracy to administer it. You would create a lot of problems if you tried to pool aid. For instance, where would you pool it? Would you pool it in the United Nations? I think one great advantage of our bilateral system is that we all work quickly. We have inevitably been delayed a little this year owing to the election and the change of government, but, from the time we get the first concept of the program until the time we start to put it into effect, not more than about nine months elapses. This will no doubt become so again. This has been a disruptive year in this country, of necessity.

*By Mr. Cardin:*

Q. Mr. Chairman, following up Mr. Holowach's question with regard to the pooling of information concerning aid that was given by the different countries, I think last year that there was some kind of a suggestion to that effect. I was wondering whether any study had been given to that particular suggestion that was made, by pooling information, at the United Nations, concerning international aid given to the underdeveloped countries?—A. Yes, sir. The United Nations has undertaken this, and I believe has produced the first statement on the amount of aid available over-all.

Q. That would include the Colombo plan?—A. Yes, that includes all of it. That might be the beginning of a better appreciation of what the West is doing collectively.

*By Mr. Herridge:*

Q. Mr. Chairman, my question is directed to Mr. Cavell. I ask it because I have relatives who have had quite long experience in India when the British were there, and they have always been very interested in this question: is the population of India increasing?—A. Not as fast as the population of the United States, sir, but it is, of course, increasing at a great rate.

Q. Not at the same percentage?

Mr. Low: Are you speaking of birth rate, or immigration and other increases?

The WITNESS: The United States is now the fastest increasing country in the world.

*By Mr. Herridge:*

Q. What would be the population increase of India, have you any idea?—A. Has anyone that figure in their head? That is, the population increase per annum?

Q. Of India.—A. It is something in the order of 5 million a year, if I remember rightly, sir.

Mr. HERRIDGE: For India.

Mr. Low: Are you talking about the birth rate now or the over-all increases?

Mr. HERRIDGE: I am talking about birth rates.

The WITNESS: Natural increases.

Mr. HERRIDGE: Yes, that is a better expression. It is something between one per cent and two per cent?

Mr. BARTLETT: That is right.

The WITNESS: That would be about right.



*By Mr. Herridge:*

Q. Does the government of India take any official position in that connection?—A. I think they are very brave in their birth control clinics which they are setting up, and so forth. I think they are going very much further than we would dare go, in this country, along those lines.

Q. Is it having some effect already?—A. I have no figures to show what effect it is having.

Mr. BEST: I think very mixed effects have developed.

The WITNESS: I could tell you something about some of the effects but it certainly would not look well in *Hansard*!

*By Mr. Jung:*

Q. Mr. Chairman, I thought the birth rate in China was the highest. I was under the impression that the population of China is increasing at the rate of some 13 million a year, and that works out to one Chinese baby every ten seconds.—A. I do not think we have any very authoritative figures for China, have we?

Q. That figure is on the basis of the Chinese government's own compilation. I think they took a census and established that.—A. I cannot check your figures.

Mr. JUNG: I cannot either.

The CHAIRMAN: I interject to say that last evening I was reading about the problem of food in the world. This article indicated that the world's population was increasing at the rate of between 34 million and 35 million a year.

Mr. FAIRFIELD: I wonder if I could ask Mr. Cavell a question?

*By Mr. Fairfield:*

Q. To get back to this capital expenditure issue, do I understand you to mean that any great expansion in our capital expenditures to India, other than food and perishable things, cannot be usefully used by the Indians at the present time because of their lack of technical knowledge?—A. No, sir, I would not go that far. Their technical knowledge is catching up. In terms of well qualified engineers, they have quite a corps. Under the direction of Dr. Bhabha, they are building quite a corps of atomic scientists. In the mechanical field they have done a lot of work, and are keeping up reasonably well with the expansion they are trying to make in the capital field. Of course they are still short by our standards.

*By Mr. Argue:*

Q. If India is asking various nations for loans and grants up to a billion dollars, the government of India must feel that the billion dollars can be used in a useful way.—A. That is so. I think the balance between their technical competence and their capital expansion is something which they themselves are watching very carefully. It is always a precarious balance. Of course they need all kinds of capital goods.

*By Mr. Fairfield:*

Q. About this billion dollars, have you any idea what their uses for it are going to be—as to what it is going to be put into or in the way of capital expenditure?—A. It would be for more power, transportation, oil development, steel, and the things that you need to under-pin industrial expansion.

Q. In other words, they themselves feel that they can use a billion dollars?—A. Yes. That would be of course over a period of one or two years, to give early effect to their second five year plan—

*By Mr. Herridge:*

Q. Is it fundamental that with the type of land that they in India have with small acreage and so on it makes it difficult to carry out mechanized farming?—A. Yes sir. They are not ready for mechanized farming in many areas. Where mechanized farming is useful, however, is where they are breaking new land, tearing jungle out and settling people. In the new settlement field in India, Ceylon, Pakistan and wherever refugees are being settled, this is being done and is the type of new agricultural pattern that is used. But you cannot use tractors and mechanization where there is fragmentation of the land and where some of the plots are so small. But the fragmentation problem is being dealt with by the government of India and they are trying to put together larger holdings and to take a peasant off a fragmented piece of land and place him somewhere else where a larger plot is available. But it is not easy to do. People do not like to leave land on which they have worked for many years. They do not like it.

Q. Even our people do not like it.—A. That is right.

*By Mr. Low:*

Q. I was interested in what Mr. Cavell had to say about the alkaline situation which came about as the result of the raising of the water table in Pakistan.

Q. How long has this land been under irrigation—that is, the land where they are having difficulty now with alkali?—A. From 40 to 50 years.

Q. This is not of course close to the projects which we have developed there?—A. No sir. We have put in a power plant to assist FAO to leach out some of these lands. The same power plant will be used for deep pumping to pump up sweet water in order to wash out these lands.

Q. One of the problems there is the rising of the water table?—A. Yes.

Q. In cases where they are attacking this problem they pump up sweet water and leach out the soil?—A. Yes.

Q. Are they taking care to see that it does not just sink back in again?—A. Yes; they are building special channels to carry salt water away. This is a well worked out scheme.

Q. One of the problems as I understand it from the report here which is presenting difficulty in irrigation in Pakistan arises by way of the nature of the soil, the porosity of the soil, which has poor water carrying capacity. As a consequence it was found necessary in the early stages to channel some of the ditches and water lines with cement.—A. Yes sir.

Q. What progress have they been making in getting properly lined ditches for distributing this water and for storing it?—A. They have done quite a bit of work in the northern part of the Punjab in the Thall area. It takes an enormous amount of cement which is very expensive and they are now experimenting with some hard limes which they are able to use instead of cement. They have discovered certain limes which they can use which are cheaper than cement, and which will do the job.

Q. Are they finding with the use of these cement lined ditches whether the soil is giving up its alkali or not?—A. No sir. The alkali comes up from lower down. So long as you do not allow your water table to rise so that your soil becomes affected from lower down, you do not have any trouble.

Q. Would you say then that Canada's project of cement making for Pakistan is resulting in increased productivity?—A. You are referring to the cement plant about which I spoke last year?

Q. Yes.—A. It is doing very well. It is producing cement—lots of it. What is the capacity? 100,000 tons a year.

Q. You can line ditches with it?—A. Yes. They are using it for that as well as for other things, of course.

*By Mr. Herridge:*

Q. While we provide money through the Colombo Plan for many reasons including our sense of responsibility in this matter for the cement plants, the locomotives supplied, the irrigation and equipment supplied, does that also tend to provide an increase in Canada's markets for servicing these products?—A. I think the answer is that of course spares are involved, and spares must come from the source of the machinery. But I think a better answer to your question is that as you raise living standards you increase purchasing power, and Canada would take its share of the purchasing power with the rest of the world.

Q. So it has material benefits?—A. Yes. And I would cite a very good example of that in Ceylon. When I was there this year there was one area where we did a job of pumping with small pumps from deep wells to put water up on higher land through aluminum pipes which never could be irrigated before.

Q. By means of a sprinkler method?—A. That is right. We have it in some places in the west and it has been very successful. I asked a man, through an interpreter, what he would do with the extra money he was earning. He went back to his little hut and brought out a shirt, probably the most god-awful shirt I have ever seen. It had all kinds of colours. The man was awfully proud of this shirt. It was the first time in his whole life that he had owned a shirt of anything like that calibre. The very poor do not usually wear shirts. Then he showed me a new sari which he had bought for his wife so when they go to market together—usually once a month—they now have something decent to wear. That illustrates the fact that they do buy things with their new purchasing power, and in time they will buy many more useful things with it. But this was the first fundamental purchase: a bright coloured shirt, and a better sari.

*By Mr. Holowach:*

Q. In glancing over these things which we have given to these countries, it seems to me that the major portion of our aid is by way of a capital works program.—A. Yes sir.

Q. In your opinion, should any accent—by reason of the very illustration which you gave—be placed or directed by way of food, clothing, housing, to help the needs of these peoples in order that the aid be more "personalized", in order that the aid be of a more personal nature?—A. No sir, I do not think so. I think you must be fundamental in this, and that until you achieve a fundamental background to your industrialization, you are not doing it the right way. I think the objective is to put a little more money in their pockets. And as they get a little more money in their pockets and thereby a little more security in more of these areas where we have put in dams, irrigation equipment and other things, they will then be able to grow three crops a year where they were not sure of one crop. This means that a man will have three crops and the result is that he has money from those three crops in his pocket.

*By Mr. Low:*

Q. What you are trying to do is to help these people in such a way that you help them to help themselves.—A. That is right. If you give them just food or things like that you simply make pensioners of them.



*By Mr. Herridge:*

Q. That is not the final solution.—A. No, that is not the final solution. So what we have tried to do is to help put a real economic floor under them.

*By Mr. Cannon:*

Q. Mr. Cavell, you were speaking of Ceylon a moment ago and it brought to mind the fisheries project we have had there to help them to improve their method of fishing? Has that project been completed, or is it still under way?—A. It is completed now to the point where the refrigeration plant we are putting in in connection with it is finished, and they can now refrigerate their catches instead of having to throw them on the market for nothing; as they did before they could refrigerate them. They are now moving into the next phase which is that of marketing. Marketing is very poor. Mr. Bartlett is now engaged in getting marketing people into the area so that we can improve the marketing.

Q. Has Mr. Bartlett been in charge of this project?—A. No. Mr. Bartlett is the man in charge of our technical aid program.

Q. I would also like to ask a few questions because I come from a village community where the people are interested in this subject. I suppose the level of the fishing industry is very low.—A. Yes, very low.

Q. When we began to try to improve it did they have motors for their fishing boats?—A. No.

Q. You mean they depended on wind, sails and oars, and they had no refrigeration?—A. That is correct also. They had no trawlers.

Q. No trawlers. The desire then has been really to give them pilot mechanism or pilot equipment and to show them what was being done in other countries so that they could now get for themselves these boats, motors and equipment so as to be able to fish as efficiently as they do now?—A. That is exactly what we have done; and added to that we have put in a lot of fishing experts, biologists and people like that who would chart the waters and point out the breeding habits of the fish and so forth.

Q. I see under item 42, in the list of allocations you mention two experimental boats, a trawler, that you purchased a small refrigeration plant and also a reduction plant for the preparation of fish oil. Is that about the extent of the help that has been given?—A. That has in a very considerable degree been the assistance given in fostering the fishing industry; some motors for the local fishermen, and quite a lot of gear for the local fishermen and also cooperative experts to try to build up a fisherman's cooperative

Q. Along the lines of the system that we have on the east coast here?—A. Exactly; it is patterned along the lines of the system we have in this country.

Q. Thank you very much. That will help me to understand the program.

*By Mr. Argue:*

Q. Mr. Cavell said that food, clothes and housing was not the best method of using economic assistance for these people. That it had to be something more basic. Are we not actually doing something of both in that area—we are providing some wheat under the Colombo Plan to the various countries?—A. The wheat comes into it in this way, that every now and again they run into a famine condition which they cannot meet from their own resources and then we have to help them.

Q. Yes, that is when we help them. That is important when we help them to meet famine conditions to the extent that they run into famine conditions; and does that in fact not reduce the capital assistance that we provide under the Colombo Plan? Because, if we put \$35 million into wheat, then

obviously there would not be anything left over for locomotives and other things?—A. That would be the situation were we to put all our money into food.

Q. That helps on the assumption that if we do not do it they would use foreign capital that they would get somehow and use it for the purchase of wheat?—A. Yes.

Q. I do not suppose you have considered it—but it seems to me that when we as a nation have to meet famine conditions in a country like India, we should not be doing it by chiselling from the Colombo Plan; that is, that when we meet famine conditions in India, we should meet those famine conditions and that the money we put into the Colombo Plan should be used for capital assistance for the things for which it was evolved in the first place.—A. I would like to emphasize that it is you who said that and not me.

Q. I notice that you did not contradict it.

*By Mr. Best:*

Q. In 1953, 1954, 1955, and 1956 I notice there were considerable items for the sale of flour; there was about \$800,000 for flour.—A. That flour was given to Ceylon because they were very short of rupee capital. For instance, we helped them to build a technical school. We put in the equipment in that school and they were to erect the building. So they asked for help in erecting the building. The best way we could give them help was to give them flour which they could sell and thereby generate rupee funds. It made a two-fold gift. They got the flour which they did not have to buy out of their meagre foreign exchange, and also they got the building which they could buy for these rupees. That is why we did it, and we did it on several occasions in Ceylon when they were short of rupee capital.

*By Mr. Patterson:*

Q. Last year you referred to the difficulty you encountered in endeavouring to change a rice-eating people into a wheat-eating people, and I think the reference was to the southern section of India. Has any progress been made in that respect or is it still about the same?—A. In India there is not much headway being made. I believe Japan is doing quite a lot to change its whole dietary habits so that they eat less rice and more wheat.

Q. Is any attempt being made in India in this respect?—A. In time of famine they make an effort to change, because you can get wheat from abroad whereas you cannot get rice from abroad on a gift basis.

Q. Will they eat wheat if they are really hungry?—A. The difficulty is that in a rice-eating area the preparation of wheat becomes a problem because there are no bakeries, no mills, and no grinding of flour. So the result is that the wheat kernels are simply dumped into a pot and boiled up into a nasty paste or pap and it will make you sick.

Q. You think it is more a technical difficulty than a question of diet?—A. There is a technical difficulty. Of course, these people are conservative. Just try to change Canadian food habits and see the difficulties you will run into. Well, you run into them there, especially where they have eaten rice for thousands of years.

*By Mr. Holowach:*

Q. What happens when we send wheat over there in order to alleviate famine conditions? What is the process involved after the wheat arrives? Who makes the actual distribution of it?—A. The agricultural or food department of the government.

Q. Do we have any assurances as to the manner in which the distribution will be made?—A. It is taken care of by the agriculture or food department. Sometimes they set up special means in the various districts to deal with it. I think it is carefully handled.

Q. According to your experience it is carefully handled?—A. That is right. The CHAIRMAN: It is now one o'clock. You will want to hear more from Mr. Cavell, will you not?

Mr. HOLOWACH: I think we should.

The CHAIRMAN: Very well. Let us now adjourn until 3.30 this afternoon.

### AFTERNOON SESSION

TUESDAY, December 10, 1957.

3:30 p.m.

The CHAIRMAN: Gentlemen, I see we have a quorum so we will get started. I am sure that we all enjoyed and appreciated the information that Mr. Cavell gave us this morning. I think I can say this; he is hoping that we can conclude his particular item, No. 114, at around 4.30 p.m. or something like that. If such is the case we will revert to item 94. There is a statement of the minister on SUNFED and United Nations technical assistance, and the officers are here and prepared to carry on with that item, if we conclude item No. 114.

When the committee rose at lunch time questions were being directed to Mr. Cavell regarding the Colombo plan. We will now proceed with that.

Mr. HERRIDGE: Mr. Chairman, I would like to ask Mr. Cavell two questions. Could he explain how the materials that are required to implement these plans are purchased, and if they are all purchased in Canada?

Mr. CAVELL: Yes, sir. The method of purchasing them, of course, depends on what they are. If we have hired a consulting engineer for a generating plant, for instance, the consulting engineer draws up the specifications, the tenders are put out by our government machinery and all the material is purchased in Canada. So far, in this regard, we have spent roughly \$170 million, or something in that order, and only four per cent of that has been spent out of the country, and that was spent for materials not available in Canada.

Mr. HERRIDGE: Why do you purchase large quantities of ties in view of the forestry resources in India and Pakistan?

Mr. CAVELL: The forestry service in India does not produce the right kind of material for ties. They have some difficulty in cutting them and making them, and above all, in preparing them—soaking them in creosote. The creosote has to be driven right into them. I do not believe they can do that except in a very few places. India used to buy her ties from France. They were mostly steel ties, and for various reasons that seems to have dried up. India has now reverted to wooden ties. Pakistan, of course, has not got enough timber to make ties. She always buys from abroad.

Mr. HERRIDGE: Yes.

The CHAIRMAN: Are there any other questions on item No. 114?

Item agreed to.

The CHAIRMAN: Before you leave, Mr. Cavell, I want to take the opportunity on behalf of the committee to thank you for the very interesting information you were able to give us in regard to the Colombo plan. I think every member feels that you have a great grasp of the whole subject. I certainly appreciate this information myself and I extend that on behalf of the committee.



Mr. PATTERSON: I think, Mr. Chairman, there would have been many more questions had there not been issues raised in the house this afternoon that kept some of the members away who were interested in some of the aspects of this.

The CHAIRMAN: I rather thought at lunch time there were quite a few questions pending.

Mr. PATTERSON: I believe that is the reason—they are tied up in the house now and cannot get here.

The CHAIRMAN: Mr. Matthews is going to read a statement dealing with SUNFED and technical assistance under the United Nations. At the conclusion of that he and his staff are prepared to answer questions.

Mr. W. D. Matthews, Assistant Under Secretary of State for External Affairs, called:

The WITNESS: Mr. Chairman, I should open by saying that Mr. Smith, and Mr. Leger the Under Secretary of State, are both completely tied up at the moment preparing for the NATO meeting. Therefore, I have been asked to read this statement. I do want to say, however, that the statement has been approved by the minister.

Mr. Chairman, the minister undertook on December 2, at the request of the hon. member for Winnipeg North Centre to make a statement on the various forms and techniques of the economic assistance which Canada is giving. The minister also undertook, at that meeting, to secure certain information in this regard for members of the committee. I might remind members that last Thursday the minister tabled the speech made by the hon. Mrs. Fairclough in the second committee of the general assembly at New York on Canada's attitude toward proposals to expand economic aid through the U.N.

Mr. Chairman, I think that many of the needs for information of hon. members of this committee on "SUNFED" and the related U.S. proposal to expand the technical assistance program, will have been met by the tabling of that speech, in which the Canadian position is fully set forth.

With your permission, Mr. Chairman, I would like to make some brief comments on the position Canada is taking in these discussions in New York, and then review what Canada is doing in the field of economic aid through the U.N. at present and under the Colombo plan, so that the relationships between these programs will be clear to hon. members.

Mr. Chairman, as was indicated when the committee last met, the Canadian attitude toward this question of setting up a United Nations fund for economic development is that without the support of the major donor countries the establishment of a new U.N. agency to make capital aid available to the underdeveloped countries on a substantial scale would not be particularly useful. Over the years, the proposals to establish a new U.N. economic aid organization have been much debated; they have been elaborated in great detail. There has been general recognition that an effective new agency should have at its disposal something like \$250 million a year, which it could make available, by way of grants to development programs which might not otherwise be financed; to projects, for instance, which could not be financed by the World Bank on a loan basis, or which might not be taken up by countries operating bilateral aid programs. Without the support of the United Kingdom and the United States, it would be impossible to mobilize annual sums of this order and, therefore, Canada has opposed proposals to establish the fund. In such circumstances, the position of the Canadian government has been in the past, and still is, that when funds are available and suitable organizational arrangements are agreed it would be useful to establish such a new fund or agency.

The United States has now put forward a proposal to enlarge the technical assistance program of the United Nations, the so-called "expanded technical assistance program" which is administered by the United Nations itself and by the specialized agencies of the United Nations, such as the World Health Organization, the International Labour Office, and the other agencies operating in particular fields. That program now operates on approximately \$30 million a year. Canada contributes \$2 million a year to this program; the item for our contribution for the current year appears in the department's estimates, and members will recall that recently it was reported to the house that the Canadian government had undertaken to ask parliament to vote a similar sum next year.

I might say that on a per capita basis Canada is the biggest contributor to the fund. Of course, in absolute terms the Canadian contribution is exceeded substantially by the United States, which contributes \$15½ million. The United States' proposal is that the present total program of \$31 million a year should be expanded to \$100 million a year—that is, tripled in size, and that if other countries made appropriate contributions, the United States would contribute upwards of ⅓ of the total sum.

These two proposals, one to establish a new United Nations fund, which neither the United Kingdom nor the United States are prepared to support, and the other to triple the present technical assistance program, are now before the second committee. Canada's position in this matter has been made clear by the Honourable Mrs. Fairclough. Perhaps I might paraphrase some of the more important of her remarks in which the Canadian position is summed up. Mrs. Fairclough pointed out to the committee, when she spoke to it on Tuesday morning, that if both of these proposals were pressed to a vote, many delegations would vote in favour of both of them. It was the Canadian view that the United Nations would leave itself open to severe criticism if it were to adopt both of these resolutions in their present form. The result would be that a program embracing the existing expanded program of technical assistance, that is the one to which we contribute \$2 million, would be inadequately supported and that at the same time a new agency would be established with small and insufficient resources. Neither the supporters of an expanded technical assistance program nor the supporters of a new United Nations economic aid agency would be satisfied, and much money would be wasted on administration; inevitably political difficulties would be exaggerated and embittered. Mrs. Fairclough then put to the committee the views of the Canadian government on these two resolutions. Canada hopes that the assembly could adopt a resolution which shapes the United States initiative into a generally acceptable proposal. In this connection it seems to us the most important aspect of the United States proposal is that it provides that some of the money which might be contributed to technical assistance should go to make up a special projects program. This program would undertake the financing of resources surveys, the setting up of technical institutes, the provision of engineering studies and land use and water studies and pilot projects and other comparable types of assistance which are beyond the scope of the present technical assistance program. This seems to us to significantly broaden the basis of the present UN economic aid program. We believe that this course offers a basis for providing a good deal more economic assistance through the UN than is now being given to the less-developed countries. Mrs. Fairclough then indicated that she had been authorized to inform the UN that if the United States initiated could be shaped into a generally acceptable proposal to broaden the basis of UN economic aid, and—this is a very important qualification of the Canadian undertaking—if suitable organizational arrangements are made, the Canadian Government would give sympathetic consideration to seeking the approval of Parliament for an appropriate contribution.



Somewhat later in her speech, Mrs. Fairclough suggested that in the operation of the so-called special projects program, which would undertake new types of assistance outside the scope of present technical assistance, the United Nations might consider requesting the help of the International Bank for Reconstruction and Development.

The World Bank has had a great deal of experience, not only in administering large-scale capital investment projects, but also in conducting surveys and other projects similar to those which the proposed new United Nations program would undertake.

Mr. Chairman, as the minister indicated when he appeared before the committee on December 2, Canada would hope to be a member of the preparatory commission which would work out the details of these United Nations proposals. In that commission the organizational arrangements will have to be considered at considerable length, and there is no need nor would it be appropriate for me to comment any further on this aspect of the matter except to say that Canada would wish to see the World Bank participate as far as possible in the spending of the sums which may be made available by governments to this program.

Attempts are now being made in New York to draft a compromise resolution for consideration in the General Assembly.

The minister also undertook, Mr. Chairman, to indicate how the Colombo Plan related to these proposals. In addition to contributing to multi-lateral programs such as the United Nations technical assistance program and to other multilateral agencies—such as the International Finance Corporation, which make loans to private enterprises in under-developed countries, the World Bank, which makes loans for government and to various international relief bodies—Canada, like many other countries, conducts an aid program which is more essentially bilateral in nature. When I say it is bilateral in nature, I mean that the decisions about the allocation of funds to particular countries and projects in those countries is a matter for discussion between the government of the country concerned and the government of Canada. The Colombo Plan is such a program.

Each year the member governments of the Colombo Plan meet together to review the progress of economic development in the Colombo Plan area and to examine together the problems that arise in carrying out these large national development programs and in mobilizing assistance from the more developed countries. As members of the committee will know, the honourable W. J. Browne, Minister without Portfolio, led the Canadian delegation to this year's conference, which took place in Saigon in Vietnam. The countries of the Colombo Plan area, the countries of south and southeast Asia, and the so-called donor countries (Canada, the U.S., Britain, Australia, New Zealand and Japan) are guided in the allocation of funds by the consensus that develops in these annual Colombo Plan meetings.

Mr. Chairman, I would like to conclude my statement on these related matters which have been raised in the committee, by saying that there seems to me to be no conflict or difficulty in reconciling Canada's aims under the Colombo Plan and under these U.N. proposals. While in form the operation of these aid programs is quite different, the basic consideration to keep in mind is that under the Colombo Plan Canada is making aid available to that part of the world which needs it the most, that is south and southeast Asia. By working directly with the governments of the friendly nations in that area, Canada has been able to get underway many substantial projects which make a real contribution to the improvement of the standards of living of that area. I should emphasize, Mr. Chairman, that there is co-operation at



every step of the way with the U.N. and with the specialized U.N. agencies. Our officers and the experts that we send abroad to the countries of the area work closely with U.N. experts and with experts provided by other Colombo Plan countries.

Mr. Chairman, I think I have said all that need to be said about the relationship between Colombo Plan and multilateral aid programs and I think that this, combined with the statement made by the honourable Mrs. Fairclough, will give a fair picture of the present situation to members of the committee.

The CHAIRMAN: Members of the committee, you have heard this statement. As I mentioned previously, Mr. Matthews and his assistants are quite prepared to answer any questions arising out of it. We are now open for questions.

*By Mr. Herridge:*

Q. Is there a skeleton organization for SUNFED at the present time?—A. No. It has just been a proposal which has not been approved or established in any way.

*By Mr. Cardin:*

Q. Apart from the quantity of money available for both projects, in SUNFED and in the new United Nations planned technical assistance program, there seems to be a fundamental difference also as to the purpose of the funds. For instance, if I remember correctly, SUNFED was to be used, I think, exclusively for capital assistance and capital aid, whereas I understand the new proposals are to use this money for special projects but which are largely of a technical assistance nature. Is that correct?—A. That is correct; that is the distinction between the two proposals SUNFED was to give capital aid—for which need would be a very substantial sum of money. The present United States proposal for the extension of technical aid includes technical aid as it is now provided plus these special projects such as resources surveys that cannot now be undertaken under the present technical aid program.

Q. But the problem actually is the same. The problem for under-developed countries is to have capital for the development of those countries even though we do go into this new proposal?—A. Yes. But actually you have to have things of the resources survey type, kind of special project, before capital aid can be most efficiently given. And as capital is not available at the moment for capital aid, this will prepare the ground, with the hope that it may come.

*By Mr. Smith (Calgary South):*

Q. As I understand the comment, the reference would be that the surveys would best determine how best the capital aid program in volume could be best applied.—A. The result of these surveys would make capital projects more feasible later. But the surveys will be of value in themselves even without capital aid.

*By Mr. Herridge:*

Q. Can you tell us what the total amount will be which will be spent by the United Nations under this expanded capital assistance program, and what proportion of the total amount Canada would have to meet?—A. The amount that has been suggested in the total program is something in the vicinity of \$100 million a year. Canada's share would have to be decided by the government after the project is under way. I would not like to anticipate what the government decision might be.

Q. What proportion or percentage now does Canada pay towards the present technical assistance program?—What per cent?—A. We paid \$2 million

out of a total of \$30 million a year, but it is not an assessment. The whole expanded technical aid program is on a voluntary basis, it is not an assessment. If the total program went up, ours would not necessarily go up in proportion. That would be for the government to decide at that time.

*By Mr. Cardin:*

Q. This may not be a fair question to ask you and if you think so please do not answer it: but if I understood correctly the position of the Canadian government is that if the United States or the United Kingdom do not go into SUNFED, then there is little chance of SUNFED having any success, and for that reason Canada is not going to take part.—A. I think that is what was said by the Hon. Mrs. Fairclough. Unless the two largest possible donors to SUNFED are ready to participate it is not considered to be a practical proposal. Therefore if you established SUNFED without adequate funds, you would be setting up a very heavy administrative organization—a very expensive organization—to handle a small amount of money and that would be wasteful.

Q. Now the question which is probably not a fair one to ask you: can you tell us exactly what the arguments of the United States and the United Kingdom are against the setting up of SUNFED?—A. The basis is that neither country is ready to make—and does not feel itself in a position to make very substantial contributions, while it is obliged to spend the present very large sums upon armament. Both have said that if the expenditures on armament can be reduced substantially, that they will consider it, and consider participating in the existing fund.

Q. Thank you.

Mr. HOLOWACH: What is the attitude of the U.S.S.R. with respect to this specific fund? Is it a fact that they are discussing this concept?

The WITNESS: Mr. Grey has been following closely the discussions and he probably can answer your question.

Mr. R. GREY (*Economic Division, Department of External Affairs*): Mr. Chairman, in the discussion in the Economic and Social Council representatives of the Soviet bloc have said in general terms that they would be in favour of the establishment of SUNFED, but so far there has been no effort to put cash on the barrel-head. Therefore whether the Soviets would contribute to the United States proposal is not at all clear.

*By Mr. Holowach:*

Q. Would the adoption of the workable program in respect to this special fund by Canada—in what way would that interfere with our present Colombo aid program? Would it mean that we would be assuming an extra obligation in relation to the Colombo Plan, or would it mean that some of the funds that are presently allocated to the Colombo Plan would be then allocated to this new agency?—A. Obviously whatever contributions were made to either would be matters for the government to decide. I really do not know—and I cannot anticipate what that decision would be, whether it would be additional or not.

*By Mr. Fairfield:*

Q. Mr. Matthews stated that these proposals were before a committee. When do they expect the committee to bring down a decision, if any?—A. The objective is to have the whole assembly end by the end of this week so they will have to do it very soon if they are going to do anything.

*By Mr. Herridge:*

Q. Do you expect that the two potentially largest contributors, Great Britain and the United States, are not willing to come into this? Who are

the original sponsors of the SUNFED idea?—A. The underdeveloped countries have been backing this for a long time, and this year the Netherlands has joined them.

Mr. HERRIDGE: That gives it an extra fillip.

*By Mr. Patterson:*

Q. Mr. Matthews, in this same connection was there anything inherent in the proposals that are being made for the setting up of this fund that would have the effect of bringing all of these under one agency like the technical assistance program, the Colombo Plan and SUNFED?—A. No, this would be a new organization, SUNFED, under United Nations jurisdiction and all bilateral programs such as the Colombo Plan could go on as at present. The technical assistance program, I think, has always been expected to continue as a separate United Nations operation.

*By Mr. Macnaughton:*

Q. Have any middle eastern countries been demanding a set-up of an organization such as this?—A. Mr. Grey points out that some are members of the SUNFED group in the United Nations but they have not been putting it forward as a Middle East proposal and none of them have been taking a lead in this group.

Q. They would benefit though, would they not?—A. Yes. That would be up to the United Nations to decide but presumably any relatively underdeveloped country would get assistance from a United Nations program.

*By Mr. Holowach:*

Q. Mr. Matthews, on the basis of your knowing how these various agencies function, would you say that there is a drift developing? There are so many agencies created to do this type of work and it is creating for governments very heavy burdens in the administrative aspects of it. Do you not think that possibly there is merit in considering a centralized agency which would look after all of these aid programs?—A. There is no doubt that we are always aware of the possibility of the overhead of the organization getting too high, but I do not think that you can say that this colossal job that has been undertaken by all these agencies could all be done by one. You will notice that the Hon. Mrs. Fairclough urged that the experience and qualifications of the World Bank be made use of as much as possible in the special projects of the expanded technical assistance program. I think it is something we should always keep in mind but I do not think you could make one colossal organization. It would be too colossal to be efficient.

*By Mr. Cardin:*

Q. Am I correct, in assuming that the United States proposal does not envisage the setting up of two bodies?—A. Well, the manner in which the funds would be administered if the expanded program according to the United States suggestion is carried out is the very thing that the preparatory commission the Hon. Mrs. Fairclough mentioned, and which we would hope to be on, will have to decide including the relationship with the existing technical assistance facilities and with the World Bank.

*By Miss Aitken:*

Q. There is no indication at all whether Russia would come into the SUNFED?—A. As Mr. Grey pointed out, they have given a general blessing to it but never gave any definite statement that they would contribute to it. Whether they could afford to stay out if one was set up or not, I do not know.



*By Mr. Smith (Calgary South):*

Q. Has Canada made any other statement other than the statement made by Hon. Mrs. Fairclough prior to her statement in the speech she made in the House of Commons?—A. This is the first major statement made on this subject since the new government came into power.

*By Mr. Cardin:*

Q. Have there been any comments from the U.S.S.R. on this proposal?—A. No, apparently not. Mr. Grey could elaborate on that.

Mr. GREY: The delegation of Yugoslavia has been taking a leading part in the discussions of the second committee trying to find a compromised proposal which would meet the needs of the underdeveloped countries and ourselves, but the Soviet has not been taking a leading part in this.

Mr. CARDIN: Would Yugoslavia be in favour of the United States proposal?

Mr. GREY: I think they are in favour of finding a compromise. I think that is a fair interpretation.

*By Mr. Herridge:*

Q. What countries contribute to the technical assistance?—A. We could easily produce that list. We have not got that list here but we could tell you at the next meeting, Mr. Herridge.

*By Mr. Patterson:*

Q. Is the Soviet Union continuing to honour her commitments to the program for technical assistance?—A. Yes. I think that they have never fallen down in making contributions but they make their contributions in non-convertible currency and I think that in some cases it has been impossible for a program to make use of rubles for the purpose of the project. So they might not have used it all. Whenever they have been called upon for rubles and the type of thing needed could be got with ruble expenditures, they have met their commitments.

*By Mr. Smith: (Calgary South):*

Q. Is there any reason because of lack of agreement for either programs, there might be a collapse and the possibility of establishing some comparable fund?—A. That is always a possibility if two groups cannot get together on some acceptable terms.

Q. I realize it is presumptuous to suggest that that is a possibility in the future, but there has not been any indication as to what a third alternative might eventually come out.—A. That is what our delegation is working on now to adapt the American proposal into a form which will be generally acceptable.

*By Mr. Kucherepa:*

Q. Mr. Matthews, you said that Russia makes a contribution in rubles and sometimes they are not convertible. How does this apply in other countries like Great Britain? How does it play its part?—A. I think there are some other countries that also make non-convertible contributions. Perhaps Mr. Grey could answer this.

Mr. GREY: I think a proportion of the United Kingdom contributions is non-convertible. A number of countries do make non-convertible contributions.

*By Mr. Kucherepa:*

Q. In the final analysis then, are the Russians making a substantial contribution to this program?—A. We will bring in at the next meeting, a statement as requested containing a list of the contributions of the individual countries and the amounts spent.

*By Mr. Macnaughton:*

Q. Would that be in one year or from the beginning?—A. We could do it right from the beginning if you like.

Q. I had in mind the contributions of the chief western nations, as opposed to the contribution of Russia?—A. We should get that from the time that the expanded program was initiated.

The CHAIRMAN: Any further questions?

*By Mr. Cardin:*

Q. I would like to ask one question concerning the pooling of information of all international aids. I was told by Mr. Cavell that the first report on this information to aid underdeveloped countries was out recently. Would it be possible to have at least the source where we could obtain that particular report?—A. Yes, we could get copies from New York. We will have a copy in the department now so we could table that and get extra copies if the members of the committee want a copy each.

Q. I think that would be very useful because it is the first comprehensive statement of all international aid that has gone through the United Nations. Even the Colombo Plan is included.

*By Mr. Herridge:*

Q. Are there any occasions when the technical assistance and the Colombo Plan will dovetail and have to meet a common problem as a result of working together?—A. Yes. In the field there is always an effort made not to overlap and/or to leave gaps between the two programs. We may have Colombo Plan experts there and there will also be some experts from the Food and Agricultural Organization who will cooperate as closely as possible to make sure there is no overlapping or no gap between the two programs which are being carried out.

*By Mr. Holowach:*

Q. I believe the officials of the department would be performing a useful function if they gave further study to the problems of pooling their foreign aid. There is a growing opinion that some of the effectiveness of our program is lost because of the administrative processes involved in managing these aid programs. Furthermore, I believe it is true to say that in the United States there is a very strong feeling developing at the present time in the matter of foreign aid. There is the feeling that if the United Nations is to serve a useful function, then that concept must be strengthened by channeling the aid through the agencies of the United Nations. In that connection I believe that the departmental officials possibly could give further study to it with the view in mind of making some concrete movements in this by reason of the fact that they know all problems involved.—A. Yes. As I mentioned before it is a problem we continually study. I think, if an examination was made of the actual administration cost of bilateral programs carried out by Canada, it would be found that they would be a very small portion of the total involved.

As far as the United Nations is concerned there is the technical assistance bureau which does try to correlate the technical assistance activities of all

the United Nations organizations. The Food and Agricultural Organization, the World Health Organization and other specialized agencies do work that could properly be called technical assistance work. The TAB does coordinate these activities.

*By Mr. Smith (Calgary South):*

Q. Surely it is in recognition of the question asked, that Mrs. Fairclough, on behalf of the Canadian government, gave support to the United States suggestion which was to cut back on the cost, and it could conceivably be a small amount?—A. Yes. We would like to see the World Bank and its facilities brought into play as much as possible.

*By Mr. Patterson:*

Q. What percentage of the Canadian part of the Colombo Plan budget would be used for administrative purposes?

Mr. GREY: Well, this is more properly a question to be directed to Mr. Cavell or to the Department of Trade and Commerce, but I think the only administrative cost for the Colombo Plan in connection with this vote in the estimates will go to the Canadian Commercial Corporation for Canadian purchasing. The salaries of officials who are involved in administrative work are a separate vote in the Department of Trade and Commerce. In other departments it is part of the general administrative cost in the field. There is no separate department in the field. It is a part of the general cost of administration of each department involved in the administration of the plan.

Mr. McCLEAVE: Has the percentage ever been calculated?

Mr. GREY: I do not think so.

*By Mr. Kucherepa:*

Q. It would follow that we actually spend more on the Colombo Plan than seems to be the case because of the services which are covered in other governmental estimates?—A. There are other persons who are taken up with work in connection with Colombo Plan matters. I am afraid there is no way in which we would be able to extract those costs from the others in our operation.

Q. Have you any idea how many people might be involved in other administrative departments of our government in respect of the Colombo Plan?—A. They would be chiefly in the Department of Trade and Commerce.

Mr. GREY: It would apply to about twenty, and I suppose outside the Department of Trade and Commerce there would not be more than eight or nine people whose time in the main is employed in this way.

Mr. HOLOWACH: Could you give us an estimate of the administrative cost as related to the total expenditures in that program? Would it be more than ten per cent?

Mr. GREY: Less than that. It would be in the order of two or three per cent I believe.

*By Mr. Jung:*

Q. Would the question concerning suitable personnel arise in all these things?—A. You mean in the Canadian bilateral programs?

Q. Yes?—A. Yes. The selection of these people is, of course, a problem for Doctor Cavell's organization and I believe he explained to you the procedure on that. That is not done by our department.



*By Mr. McCleave:*

Q. I would like to pursue the matter of the percentage. Could you give us a rough idea as to what the percentage would be? Would it be 20 per cent of the administrative cost, 30 per cent, 40 per cent or 50 per cent?—A. As we said, it is probably under 2 per cent.

The CHAIRMAN: If there are no further questions, this is item 94 and as it will not be completed at this time the item will stand, and we will continue on with some of the other items. I quite realize there may be members of the committee who wish to ask questions on item 95. Mr. Matthews informs me that while he does not have his consular staff here to give all the answers in connection with item 95 he will see what questions arise and if necessary we will have the item stand or adjourn the meeting.

95. Passport Office Administration, \$289,698.

*By Miss Aitken:*

Q. Does that increase occur mostly from salary increases?—A. Yes. There is an increase of \$2,393 in salaries. There is also an increase in office stationery and supplies, and equipment, offset by a small decrease in sundries.

Mr. MACNAUGHTON: I would like to say that I have found the passport office very efficient and courteous over the past several years.

The CHAIRMAN: I think we have all experienced that.

*By Mr. Jung:*

Q. In respect to the question with regard to accommodation for the passport office, the conditions there seem to be pretty horrible. However, I think the staff have done a wonderful job.—A. The accommodation is possibly better than it was some years ago.

Q. Is it?—A. We have more space at the present time. Some day I hope we will reach the stage when we will have a building with all the Departments of External Affairs together. At the moment, as you know, we are occupying space in four or five buildings in the city. It is very difficult to get space in central Ottawa. I think they have done a good deal of redecoration, improved the lighting, in order to make the Passport Office better than they have been.

Q. My remarks were not to be construed as being detrimental in any way at all. I was commending them for the job they do while labouring under a very serious handicap.—A. A real effort is being made to improve the conditions, but they are not too satisfactory yet.

Mr. HERRIDGE: They are quite luxurious now compared to what they were.

*By Mr. Smith (Calgary South):*

Q. Do we still carry, on passports, that item in the extreme left-hand corner "British subject"?—A. Yes, there is a definite statement in the passport that a Canadian citizen is a British subject.

Q. Does that lead to confusion on the part of some immigration officers abroad?—A. No, I do not remember it ever causing difficulty.

*By Mr. Herridge:*

Q. Is it not a fact that when a citizen of southern Ireland comes to Canada, although he is an Irishman, is a British subject?—A. I do not think he is a British subject, no. I am sure that a southern Irishman would object very much to being called a British subject.

Q. I am thinking of an Irishman coming into the country as an immigrant. I think there is something to that effect in the Canadian Citizenship Act, if I remember correctly.—A. You mean that he is classified as a British subject?

Q. Yes, he is considered as that.—A. I am afraid I do not know the answer to that.

*By Mr. Macnaughton:*

Q. Is there another term "Canadian national"?—A. Yes, although I would like to get someone who is more expert in these fields to answer.

Q. That is why I asked you.—A. I am certainly not an expert on that.

Q. We use the three terms?—A. Yes.

Q. British subject, Canadian citizen and Canadian national?—A. Yes.

Item agreed to.

96. Representations Abroad—Operational—including authority, notwithstanding the Civil Service Act, for the appointment and fixing of salary rates of High Commissioners, Ambassadors, Minister, Plenipotentiary, Consuls, Secretaries and staff by the Governor in Council, \$8,170,026.

The CHAIRMAN: On page 183, if you have this itemized sheet that was given to us the other day, it sets forth a lot of information.

*By Mr. Smith (Calgary South):*

Q. In regard to the \$100,000 item, I assume it is no longer applicable in view of the minister's statement about the Canada House?—A. I would like to explain why it was not suggested that that \$100,000 be reduced. The estimates that we are now considering were prepared in the department and submitted to the treasury board over a year ago. We have had certain additional duties and responsibilities thrown upon us since that time. We have opened the new mission in Ghana and, as was announced, before the end of the fiscal year, to which this applies, we will have a new mission opened in Malaya. We have also had other substantial increases in expenditures imposed on us. If we reduce all of these estimates by the total amount of saving we can find in one spot or another we would then have to come back with a supplementary estimate to cover these increases. By retaining items such as this we are able to meet these unforeseen increases. These estimates are prepared to cover a period that ends 18 months after they are completed.

Mr. SMITH (*Calgary South*): I certainly understand your logic. It simply occurred to me, from an accounting standpoint, that you are carrying an amount which is actually not to be used in the item shown. I accept your answer.

*By Mr. Patterson:*

Q. Would there be any other similar items?—A. Yes, undoubtedly. The actual pattern of expenditure will vary to a certain extent between the different items that are set out in this table. This is a table that was prepared, to the best of our ability, over a year ago. Some items will cost a bit more than expected, and some will cost a bit less. With the approval of the treasury board, the department can transfer from one item to another item in the same vote, in order to take care of these swings in expenditures as compared to the anticipated expenditures.

*By Mr. Holowach:*

Q. I was wondering if I might ask a question in respect of this item. In the matter of the procurement of additional offices that may be required by our mission—let us take the city of New York for example—in the event that we need additional space, does the department have its own official investigate and examine these premises, or do we function through a real estate firm or agency, and if so, who are these people in New York who provide this service for us?—A. If we were going into a city where we have never been before

we would undoubtedly find out who is a good real estate agent, who could advise us where to go. However, in New York, if we decided we needed a little more space adjoining our present offices we would go straight to the landlord. In the same way, when we are looking for space closer to the United Nations for our permanent delegation in New York, our own staff in New York made inquiries concerning all the new buildings going up in that area, and would go directly to these people. Most of these people work through a rental agent, but it would not be our agent, it would be the agent of the company constructing the building. We make our own search when we know our way around the town.

Q. In other words this item does not involve any agent's fee?—A. No. Any fee involved would be paid by the landlord.

*By Mr. Smith (Calgary South):*

Q. Maybe I misunderstood you, Mr. Matthews. I gather from the statement made by the minister that actually none of the \$100,000 is going to be used, is that correct?—A. That is correct.

Q. I do not press it at all, except it does seem to be a rather substantial amount of money to be used as a "slush" fund, which is hardly the right term, but a fund which is going to be used to supplement other funds where you expect to be a little short of your estimate. Why, from an accounting standpoint—there may be an obvious answer—would you prefer to have this retained rather than have a supplement to the estimate?—A. I think the general attitude of this government, and the former government is, that it is only where you overspend the vote as a whole that you should come back to parliament to ask for a supplementary. We have always used savings that can be made within the vote to meet new obligations. The opening up of the new mission in Ghana will probably run us from \$40,000 to \$50,000 in this fiscal year.

Q. As I say, it is really a question of accounting procedure?—A. Yes.

Q. But it is not going to be used.

*By Mr. Macnaughton:*

Q. On this question of \$100,000, I can see why it may not be used, or will not be used. That is due to the change in government policy, is it not—the change which came into effect after June 10?—A. A year ago it was anticipated that we would move into Canada House and would have to spend these monies for partitioning and so on to make space suitable for us. That decision has been changed, yes.

Mr. SMITH (*Calgary South*): I do not think perhaps we should allow that to go just as stated. It is not a change by any government; it is a change of the Under-Secretary of State when he stated the reasons why a change had to be made.

Mr. MACNAUGHTON: I do not think that is correct. If I understood the Under-Secretary of State he said that the letter was written to Carswell in New York, the head of the private concern which was promoting the building of Canada House. The date of that letter was on or about November 17.

Now, it seems to me, if I understood correctly, that the previous government had given at least a moral, if not an actual commitment to rent certain space in Canada House for the purpose of centralizing Canadian government activities in one spot for the purpose of advertising in New York city, which is a great centre of world communication, and which is a tremendous purchasing market, and which would give Canada and Canadian products, and everything connected with Canada, tremendous advertising.

I think personally it is a fatal mistake. I think it is short-sighted, not to proceed with this effort, particularly as it has been underwritten by 23



prominent Canadians at considerable personal sacrifice. I also raised this question: what are you going to do with the term "Canada House", because if I understand correctly, the previous government waited a considerable time before giving permission to the use of the two words "Canada House".

Also, I should like to know what you are going to do with the coat of arms which will be carved on the front of the building. If it is not Canada House, or an office building to which anyone can go, who is a Canadian, then surely to goodness we should preserve the name.

Other countries have houses in New York—I am thinking of Irish House, Norway House, Australia House; and I think it is a fatal mistake, a great mistake indeed in policy, and a short-range decision to have our various government bureaux spread over many different locations, all around New York.

It is concentrated close to the United Nations, if you like; but the consulate-general's office, and the tourist office, and the trade offices and various other bureaux—so far as they are concerned, I think in the next ten years you will find a new demand will arise for the creation of a central locale or a new Canada House.

The WITNESS: I do not think it would be appropriate for me to say why the government took or did not take any particular decision. But there are one or two statements of fact I should like to correct; the trade and commerce offices and the consulate are together, there, through the same door now.

Mr. MACNAUGHTON: That is right, they are there, but space will become considerably scarcer as we grow.

The WITNESS: All Canadian government offices, other than the Canadian permanent delegation, are in Rockefeller Centre. The travel agency is, of course, on the ground floor. It has to be—not in the offices upstairs. But as to why the government had decided that it was not proper to move into Canada House—I do not think it would be proper for me to make any comment.

Mr. SMITH (*Calgary South*): It hardly seems to be in issue. The statement was given. We could refer to the evidence, so far as that is concerned; the reason was that a contract was made and the terms of the people who were renting the space—and I believe I am correct in saying this—were not lived up to. They did not give them exactly the space for which the understanding was originally made.

Mr. MACNAUGHTON: It was not that, at all.

*By Mr. Cardin:*

Q. Would it be fair to ask whether the department received representations from people to whom the government had given commitments to take up office space?—A. I have not received representations. If any official did, I would.

Mr. MACNAUGHTON: After all, 23 prominent Canadians of their own free will, in a patriotic gesture, endeavoured to have a centre for Canadian products, so that they could be advertised, and so that services would be available in New York, and they contributed, as I understand it, \$100,000 to this project—and that is a considerable sum of money to get the thing going.

Mr. SMITH (*Calgary South*): It was a commercial undertaking.

Mr. MACNAUGHTON: It was more than that? People do not just hand across the table \$100,000 without interest for nothing.

Mr. MONTGOMERY: Are you sure about that? I gathered that they had not come through with this money, as they have promised, and that that changed the whole picture. I may be wrong in that, but that was the impression I got.

Mr. MACNAUGHTON: No, it is not correct. There was a contribution by 23 Canadians. There were various other matters that have, in effect, changed the picture slightly. But it does not change the basic reason which, to my way of thinking, is that Canada should have a central locale for its government offices in New York city, for purposes of trade and advertising, services and everything else.

Mr. CARDIN: Is it not true that it was considered a desirable project until quite recently?

The WITNESS: When it was first suggested, it was looked upon with favour. There was no contract made. But certainly serious consideration had been given to moving there.

Mr. KUCHEREPA: When was the project abandoned, in fact?

Mr. MACNAUGHTON: On June 11.

The WITNESS: The date of the letter was November 8, I believe.

Mr. SMITH (*Calgary South*): I would like to say that the discussion could be very quickly resolved by turning to the evidence which was given at the time, and which was not questioned at the time, either. It was discussed, and it was set out as to why the contract was not acceptable to the Canadian government. I would refer to the fact that this is still a commercial undertaking, and if the government felt it was not in the interests of their staff to hold this space, then that was the reason given. I suggest it is still the reason.

Mr. HOLOWACH: Mr. Chairman, am I correct in my understanding that no public money was involved in the offer of Canada House?

Mr. SMITH (*Calgary South*): Correct.

The WITNESS: Not any,—no government money.

*By Mr. Holowach:*

Q. No government funds?—A. That is right.

Q. I do believe there is a question that has been raised by one hon. member with respect to whether this particular private undertaking should be allowed to bear the name Canada House.

Mr. SMITH (*Calgary South*): That is a different point.

Mr. HOLOWACH: There is a point, there.

I realize it is a difficult one, in view of the sort of moral commitment made. But I do think that that ought to be given attention. I say that, because it may be misleading, as to the reason why Canada has no official connection with that particular enterprise. I do not think it is appropriate that this name ought to be given to it.

The WITNESS: I think that the use of the name Canada House and the coat of arms, or other such problems would fall within the responsibility of the Secretary of State and not the Secretary of State for External Affairs. Whether the Secretary of State has any jurisdiction on the use of those words, outside of Canada, I cannot say. But I am afraid it is not the responsibility of our department. So I cannot therefore comment upon it.

Mr. HOLOWACH: I just raised the question.

Mr. SMITH (*Calgary South*): We did establish, too, that the date of the decision was November 8, is that not correct?

The CHAIRMAN: That is the date the statement was made.

The WITNESS: The letter was sent to Canada House, New York.

Mr. KUCHEREPA: May we have a report from the Secretary of State as to the use of this term Canada House, and whether that is permissible according to usage and custom?

The CHAIRMAN: I think it would be possible, quite possible, when the estimates of that department are being considered.

*By Mr. Patterson:*

Q. May we be given some explanation as to just how ambassadorial appointments are made. By whom are they selected, and by whom are the appointments made? What is the procedure?—A. Well, the appointment, so far as the Canadian government is concerned, is made by the Canadian government. Normally, the Secretary of State for External Affairs will discuss it with the Prime Minister, and then it will be submitted to the cabinet. But the formal appointment is actually by the letters of credence which are usually signed by the Queen. She is advised by the Canadian government that they desire to appoint Mr. so-and-so as Canadian ambassador to a particular country. She signs the letters of credence, which are the formal documents showing the appointment, and which are handed by the ambassador to the head of the state to which he is accredited. The actual selection is made by the government and the appointment is approved by order in council.

Q. Is there any process of rotation carried on in connection with ambassadorial appointments? Are they moved from one point to another? Is there any pattern that is followed?—A. Yes. Normally in the posts where there are climate difficulties, where living difficulties are severe, the person fills one tour of duty which maybe two and one half years in an unhealthy post. In other posts a normal tour of duty is three and a half years. But it frequently happens, particularly in the healthy posts that the person can render very good service if he is kept in that country and if he is given a second tour of duty there. And indeed even in hardship posts, if a person's health is not affected and he is willing to take on a second tour, it is done quite frequently. Mr. Escott Reid has served two full tours in India, and Mr. "Hesman" has served two full tours in Jakarta. There are advantages in longer periods than a normal tour of duty which in an unhealthy post it can be as short as two years.

Q. I take it with respect to the factors which are taken into consideration that they would include the suitability of a particular person for a particular post rather than rotating them, together with experience in different countries?—A. Yes. I do not think we would want to do what some countries do, that is leave a person for 15 or 20 years in one country because they become too identified with that country and moreover there would be a tendency for them to lose their Canadian point of view.

*By Mr. Holowach:*

Q. In connection with the same question, have any ambassadorial appointments ever been made outside the rank of career diplomat?—A. Oh yes, many.

Mr. PRATT: We have an example of that in the case of the Hon. Mr. Drew.

*By Mr. Herridge:*

Q. What circumstances determine whether the government appoints an ambassador or a minister?—A. The old distinction previously was that only great powers exchanged ambassadors, and that lesser powers exchanged ministers with each other. But that distinction has completely fallen away and nowadays really the designation of minister is almost disappearing because there is no real distinction in their responsibilities or duties. For a long time the Scandinavian countries and Switzerland declined to exchange ambassadors—but even they now have decided to drop ministers.



*By Mr. Jung:*

Q. At the embassy in Paris do we not still have an ambassador as well as a minister?—A. Yes, but the minister is now becoming known as the second senior person in a large mission.

*By Mr. Holowach:*

Q. Can you tell us at what other posts in addition to Moscow we have a mission, an ambassador, and if we have representation in any of the so-called independent republics of the U.S.S.R., and particularly if we have any representation in the Ukraine?—A. No, we have not. We do have in some of the satellite countries; we have a legation in Warsaw. There is a chargé d'affaire now; there is no minister; and we also have a chargé d'affaire at the legation in Prague, but not in the Ukraine or in Byelorussia which are both members of the United Nations. I do not think any country has separate representatives there.

Q. Would the U.S.S.R. prevent us from having representations in those countries?—A. I do not know.

*By Miss Aitken:*

Q. Have we a minister or an ambassador in Israel now?—A. We have a chargé d'affaire there. Our ambassador in Athens is also accredited to Israel. I do not remember if he is technically an ambassador or a minister to Israel but the chargé d'affaire is the permanent representative there.

*By Mr. Jung:*

Q. Does the salary scale for some of the diplomatic posts, let us say, the minister to Egypt, compare with the salary scale for the minister in Paris or Rome?—A. No. The salary for all career officers is determined according to what we call the foreign service officer grade. Those officers generally begin as foreign service officer grade 1 and they are slowly promoted throughout their career. Whether they are appointed as head of a mission or not, they continue to draw salary on the basis of their foreign service officer grade.

Q. What is the top grade?—A. The top grade is foreign service officer grade 10.

Q. And after they become ministers?—A. We have an ambassador with grade 7.

*By Miss Aitken:*

Q. Is Russia regarded as a top post?—A. Yes.

*By Mr. Kucherepa:*

Q. Do we have legations or ambassadors in all the free countries of the world?—A. No. There are many where we have not.

Q. Are there any major countries where we have no liaison whatsoever?—A. There are lots, not what would be called great powers; but you say "major countries"?

Q. I mean countries of substantial area and population.—A. Yes. There are some which would be substantial in area and population.

Q. Would you mind naming some?—A. We have no representation in Bolivia and in the central American states. In one of them there is a trade commissioner but in none of them is there any diplomatic representation. We have no representation in Roumania and Hungary, and there are also a good many of the countries in southeast Asia. We have a commission in Indo-China, but we have no diplomatic representative there and we have no diplomatic

representative in Thailand and Burma, as well as a good many of the middle eastern countries.

Q. Have we diplomatic representation in those countries where we contribute by way of the Colombo Plan?—A. We have just begun to have some small projects in the Indo-Chinese states and I think in Burma, but we have no diplomatic representation in those countries.

Q. If we have a bi-lateral agreement to negotiate with them, we would enter it by virtue of a governmental exchange of notes?—A. With those countries where we have no exchange of missions, usually diplomatic relations are carried on on our behalf by the British or sometimes, if it is not formal, we would discuss it with the mission of that country in Washington or in London.

*By Mr. Stick:*

Q. Take the case of Burma, for instance, would the High Commissioner to India look after it?—A. No. Sometimes we have used the practice of accrediting a person to a second country, but in Burma we do not.

Q. You would do the same as you have done with Israel?—A. Yes.

*By Mr. Herridge:*

Q. You can have recognition without diplomatic relations?—A. Yes. All those countries we recognize although we do not have diplomatic representation in them.

*By Mr. Macquarrie:*

Q. Is it to be expected that there will be some extension in our diplomatic representation? We have passed through the state of very rapid expansion but I am very interested in the Middle East. I think we have posts in Lebanon, Egypt and Israel. Is it likely in some of the sensitive areas that posts may be established in order to strengthen our diplomacy there?—A. Obviously it is a matter of government policy whether they do or not. The minister, when he announced the opening in Malaya, did say that there were certain other places we would have to think of. But no decision has been taken and I obviously cannot anticipate what that decision would be.

Q. I was quite interested in the selection of Lebanon. Was there any specific reason for that choice?—A. I think it has always been an influential country in the Middle East and it was probably decided that, if we were only going to open one, it was as good a listening post at which to get the feel of the whole area as would be any other.

*By Mr. Macnaughton:*

Q. I believe the minister stated that the whole Middle Eastern situation is under review?—A. I think he did say he felt we were under-represented there.

Q. Yes. I think he also said it was quite possible that there would be a step-up in the diplomatic representations. Would that include Israel?—A. We have a mission in Israel now with a charge d'affaires and there are two foreign service officers there and the clerical staff. There is not a separate head of mission there and therefore the ambassador from Athens goes to Israel from time to time.

*By Mr. Kucherepa:*

Q. At one time we had representation in the satellite countries. When did that representation cease?—A. We still have our missions in any of the satellite countries in which they were ever opened. But at the moment they are under a charge d'affaires rather than under a permanent head of mission. I cannot

remember whether or not we ever have had a permanent head of mission in Poland or Czechoslovakia.

Q. We have a legation in Warsaw?—A. Yes, but it is under a charge d'affaires rather than an ambassador.

*By Mr. Cardin:*

Q. Are all our missions abroad fully staffed? Have there been shortages of personnel in some of our missions?—A. It would depend a little of whom you ask the question. Some of the missions themselves would say they have not been fully staffed. However there is no doubt that in some of the missions we could use more people; but I think on the whole you could say they have been reasonably adequately staffed for the duties which they have to perform. There will however be gaps at times between postings.

*By Mr. Herridge:*

Q. When a mission is established in the U.S.S.R. or in another major country what local staff is recruited and for what purposes?—A. Any person who is dealing with any information which is at all classified is sent from Canada. That is also the case in a growing number of our posts in respect of security guards. We will probably engage locally persons to be employed as messengers for carrying non-confidential papers, people who can deal with accounts and look after the translations of newspapers and that type of work; but in respect of persons who are dealing with classified information of any kind they are all recruited in Canada and sent to the post.

*By Mr. Cardin:*

Q. Have there been any large staff cuts within the past few months?—A. No.

*By Mr. Kucherepa:*

Q. Have we counterparts in Canada to our representatives in the satellite countries?—A. There is a representative from Poland here; there is a Polish, a Czechoslovakian and a Russian mission in Ottawa. The Communist countries where we have never had representation have representation here.

Q. How about the chargé d'affaires? You mentioned that word. I understand we have them in those countries in Europe where we previously perhaps had ambassadors?—A. Yes. Quite frequently it happens that there is an interval between the appointment of two heads of mission. This interval obviously is more than just chance in these cases; but it is nothing unusual to have a chargé d'affaires there in the interval between the appointments of the heads of mission.

Q. That has been going on for some years?—A. Yes. We withdrew our ambassador from Moscow at the time of the spy trials here, and it was a good many years before we sent another ambassador to Moscow. We had a charge d'affaires there at that time.

Q. In most cases the chargé d'affaires in the satellite countries have been there since the war?—A. As I said before I am not sure, but I do not think since those missions were opened that they have had a resident minister or ambassador.

*By Mr. Holowach:*

Q. Are there any restrictions on the travelling privileges of our people in Moscow?—A. Yes.



*By Miss Aitken:*

Q. In respect of the staff, is it not true that Canada is not permitted to send household staff to the embassy there and that the Russians supply them?—A. In practice they do supply them, but there would be nothing to stop us if we wish to spend a large amount of money to send people there.

Q. But these people, I understand, are sent directly from the Kremlin and are supplied by the Russian authorities?—A. It would be wise to assume that.

*By Mr. Kucherepa:*

Q. Do the Russians here receive the same diplomatic privileges as others?—A. Yes.

Q. Except that they are not able to travel?—A. We have imposed similar restrictions on the members of the Russian embassy here.

*By Mr. Macnaughton:*

Q. What is the restriction?—A. It is something like 50 or 75 miles. Beyond that they have to have approval for the trip. I do not have the full details offhand.

Q. Referring to Greece, about two years ago there was a question of purchasing a residence for the ambassador. Did that fall through or was it completed?—A. Do you mean the actual residence which was occupied by him at that time?

Q. Yes?—A. No. We decided not to buy that residence. It was in an area which was becoming more and more a commercial area all the time. Although the house was suitable our advice was not to buy it as a residence.

*By Mr. Patterson:*

Q. Coming back to this other question which was asked, what is done in order to find out whether or not the Russian ambassador keeps within the bounds of the restriction? Is there any check made? Is there any procedure?—A. I am sure there is, but I am afraid I do not know what the procedures are.

Q. There is another question which I would like to ask. Apparently we do not have an ambassador in China at all. We do not have one in Peiping nor do we have one for the national government?—A. No. At the time when the Chinese government withdrew from the mainland our mission withdrew and we never established a mission on the island of Formosa.

Q. This item here for Nanking is just a matter of maintenance?—A. Yes. It is the maintenance of the property which we had there previously.

Q. Is there any liaison with the nationalist government?—A. No. All we have is one local employee there as a caretaker.

*By Mr. Herridge:*

Q. Is he a Canadian?—A. No.

*By Mr. Patterson:*

Q. Is he Chinese?—A. Yes.

Item 96 agreed to.

The CHAIRMAN: I believe it would be wise to stand item 97 because the details are well known to Mr. Grant and he is not with us this afternoon.

Item 98. To provide for official hospitality—\$40,000.

*By Mr. Patterson:*

Q. What does this item cover?—A. This item covers all entertainment of foreign visitors to Canada whenever an important visitor comes here, with

the exception, of course, of items such as a royal visit. An item such as the royal visit could not be covered under this vote. However, if a prime minister or a foreign minister of another country comes to Ottawa all the entertainment is carried out under this vote. It also applies if groups of visitors arrive. There was a special appropriation made for the Postal Union Congress which was held here and that was carried in the post office estimates.

*By Mr. Kucherepa:*

Q. What is the total expenditure under this item?—A. The total expenditure runs pretty close to \$40,000 a year. This vote started off some years ago at \$25,000. As Canada became more prominent, and more and more people came to visit, so this item has grown. This is an item for which we have quite often had to ask for a supplementary estimate.

*By Mr. Stick:*

Q. What does that \$10,000 increase constitute? You had \$30,000 last year and \$40,000 this year. That is an increase of \$10,000. What does that increase constitute?—A. It really represents more people visiting Canada. There are more visitors to be entertained.

Q. It is a big increase for one year—A. Yes. I would have to check to find out what the actual expenditures were during the past year.

*By Mr. Herridge:*

Q. Who is responsible for those arrangements in your department, Mr. Matthews?—A. Primarily the chief of protocol. Mr. McCordick has just recently been appointed as chief of protocol. Mr. Graham MacInnes occupied that position, but he has gone to the I.D.C. in London.

*By Mr. Macnaughton:*

Q. For special events such as the recent royal visit, would that come under your department?—A. No, the estimate for that would not come under our department. I think it comes under the Secretary of State Department.

Q. You would not know the cost?—A. No.

*By Mr. Holowach:*

Q. Mr. Matthews, this item involves official hospitality only in Canada?—A. Yes, only in Canada.

Q. I do not suppose you have a figure in respect of the total cost under this item for departments abroad?—A. No costs abroad are involved. They are not direct departmental expenditures. The ambassadors and other foreign service officers have allowances, and they are expected to do their own entertaining out of that allowance. No one in Canada gets an allowance, so it has to be paid directly by the government.

*By Mr. Montgomery:*

Q. Does that vote come under your department?—A. You mean allowances for abroad?

Q. Yes.—A. Yes.

*By Mr. Macnaughton:*

Q. In relation to countries other than Canada, the allowances are not very great, is that so?—A. I think that we would be more or less in line with other countries. Some are higher and some are lower, of course, I would say they are more or less in line with most of the other countries who believe in doing things on the scale we do.

Q. You certainly would not call them extravagant?—A. No, I do not think they are.

Item agreed to.

99. To provide for relief and repatriation of distressed Canadian citizens abroad and their dependents and for the reimbursement of the United Kingdom for relief expenditures incurred by its Diplomatic and Consular Posts on Canadian account (part recoverable), \$15,000.

*By Mr. Patterson:*

Q. Mr. Matthews, I wonder if you could tell us how many people received assistance under this item during the past year?—A. I can easily get that figure for you. I have not got it here.

*By Mr. Jung:*

Q. Has that amount always been used up each year?—A. No, usually there is some leeway. We assist people who are in trouble abroad, always on a reimbursable basis. If that money is recovered in the same fiscal year we are allowed to use it again. It is a sort of revolving fund.

Q. I am interested to know, if it is convenient while you are looking up the other information, if you could find out how much of that money has been recovered?—A. Yes, we can get that. Usually we find it is about 50 per cent of our expenditures that are eventually recovered.

*By Mr. Kucherepa:*

Q. Under what specific circumstances is it used, Mr. Matthews?—A. For instance, this money was used for those people who were stranded overseas on an aeroplane tour when the return facilities were not covered. We financed these people who could not get the money to finance themselves, and they undertook to pay it back to the government. If a person is down in the United States and has lost all his money, and for some reason or other cannot get money transferred to him immediately, or he may not have any money, it is our responsibility to get him home in the cheapest way possible, always with an undertaking that it will be repaid to the government.

Q. You never have any call from Las Vegas?—A. No, I do not think so.

*By Mr. Jung:*

Q. The wording here, Mr. Matthews, seems to imply that any Canadian national can go to a United Kingdom embassy anywhere in the world, providing there is no other Canadian representation there, and receive the same courtesies, is that correct?—A. Yes, consular services, for Canadians abroad in countries where there is no Canadian diplomatic or consulate offices, are rendered to them by the United Kingdom consulates. If the United Kingdom advances money for this purpose we naturally repay the United Kingdom and try to recover it ourselves.

Item agreed to.

- Item 100. Canadian Representation at International Conferences, \$200,000

*By Mr. Holowach:*

Q. Does this item involve salaries alone, or are there additional items included?—A. This would not involve salaries at all. This represents the living expenses of the people abroad, the travelling expenses to get there and back, and the actual out of pocket expenses for conferences. If a person from the department attends a conference, his salary continues to be paid out of the departmental administration vote.



*By Mr. Kucherepa:*

Q. There are no details on that?—A. I could get a breakdown of the amounts spent in prior years, which would give a fair representation.

Q. What does this include?—A. By far the largest single item would be the Canadian delegation to the United Nations general assembly. Each year, away from New York, there is a large UNESCO conference, and there are meetings of GATT.

*By Mr. Stick:*

Q. Would the NATO conference come within this vote?—A. Yes.

Q. Would our permanent representative come within that?—A. No, our permanent representative comes under the representatives abroad vote.

*By Mr. Kucherepa:*

Q. Parliamentary conferences of NATO would come under this item?—A. I do not think they do, but I am not quite sure on that. That would not be an official government representation.

Q. I believe it is.

Mr. PATTERSON: That is the semi-official organization. It is not the same as the NATO permanent organization.

The WITNESS: Yes. I am not sure if they come under this or not. I think they do not.

*By Mr. Kucherepa:*

Q. Where would they be listed if they are not in this?—A. This is the only place in our department that they could possibly come in, but I could check on it for things like parliamentary associations.

Item agreed to.

Item 101. Grant to the United Nations Association in Canada, \$11,000.

*By Mr. Jung:*

Q. What is the purpose of this grant, Mr. Matthews, other than to disseminate information, literature and what not? Does that include things like scholarships to people who visit the United Nations?—A. No, this is a grant to the United Nations association, which is a private association for the disseminating of knowledge about the United Nations throughout Canada.

Q. Do we have any control over this organization?—A. No, it is a private association.

*By Mr. Patterson:*

Q. Is there a report given to your department as to how this money is disbursed?—A. It is just put into their general fund. Whether we receive a copy of their financial statement each year, I am not sure. We are very well aware of the the nature of their activities, what they do.

*By Mr. Kucherepa:*

Q. Do they have any other sources of income?—A. Yes, sir, private contributions.

*By Mr. Macnaughton:*

Q. And membership fees?—A. And membership fees, yes.

Mr. HOLOWACH: Could I suggest, Mr. Matthews, that in view of the contribution we make, a financial statement should be made available to us?

Mr. CARDIN: I think one is.

Mr. STICK: We could get one if we wanted.

The WITNESS: I am sure we could get one if we wanted.

The CHAIRMAN: If I might be permitted to interject here, it just so happens that when I was at the United Nations, I received a request from a school teacher for information that could be used, in respect of the United Nations, in schools that he was responsible for in his area.

Mr. STICK: And you passed the request over to this association?

The CHAIRMAN: I went to the United Nations and they immediately forwarded it to the office here in Ottawa, and they in turn sent him the necessary literature.

Mr. HERRIDGE: I think it is a modest grant considering the work that is done in Canada.

*By Mr. Patterson:*

Q. What liaison do these different branches have with the United Nations association? Is there any particular tie-in there, or just what is the situation?—A. What it is formally, I do not know. I do know that almost every country that is a member of the United Nations has a similar national association. Naturally they get their information, and publications from the United Nations association disseminate throughout the country of that national association.

Q. Would there be any executive at all made up of the presidents of these individual groups?—A. No, I do not think so, although I am not sure of that. I do not think there is any formal relationship between these associations and the United Nations association, or between the different associations of the different countries.

Mr. MACNAUGHTON: Within Canada they have several associations. In Montreal they have a branch, and I am sure in Toronto they have one, and possibly in all the large centres across the country.

Mr. KUCHEREPA: They do in Toronto.

Mr. MACQUARRIE: As members of this association, it is their job to incorporate all the ideals of the United Nations and disseminate that information throughout the different member countries. They do an excellent job, having in mind schools, etc.

*By Miss Aitken:*

Q. It is all voluntary, is it not?—A. Yes.

*By Mr. Patterson:*

Q. And each national organization is completely separate?—A. Yes.

Q. And also each group?—A. Yes.

Mr. CARDIN: I think in Canada there are several organizations, local organizations, which come under the national executive here in Ottawa. They have a meeting in Ottawa—perhaps not regularly—but they do have a meeting every year or so. All the members from different locals come here. I understand the United Nations Association in Canada did at one time belong to the federation of these United Nations associations; but, for some reason or another the Canadian United Nations Association dropped out a few years ago.

Mr. KUCHEREPA: I think the only matter which requires consideration is that we do get a report, an annual report, from an organization such as this, to which we make contributions, and over which we have no direct control.

Mr. CARDIN: We will certainly get a report, and I think on examination the committee will find that the work done by the United Nations Association is certainly worth while, and warrants the expenditure.

Mr. KUCHEREPA: It is not a question of the good work we are doing. It is a question of sending out funds and we should have a report—as we have no other control over the spending of the money.

Mr. CARDIN: I agree. We should give consideration to boosting the amount that is granted to the United Nations Association.

Mr. KUCHEREPA: Perhaps if you saw the report, we might do that.

Mr. CARDIN: That is why I would be anxious to see it.

Item agreed to.

102—Grant to the International Committee of the Red Cross, \$15,000.

*By Mr. Kucherepa:*

Q. Is that just a general contribution for general purposes, or is it specific?

—A. This is a general contribution. The International Red Cross is supported entirely by contributions from governments. During the war years of course our contributions were very much greater than this, and they also went up quite substantially at the time of the Korean war.

Q. What does the International Red Cross request, if I may use that word?

Some of the organizations put in a request for certain sums.—A. No, the International Red Cross does not; it leaves it entirely up to the individual governments to decide what, if anything, they will do.

Item agreed to.

103—Grant to the Canadian Atlantic Co-ordinating Committee, \$2,500.

Mr. PATTERSON: Could we have an explanation of this item, please?

The WITNESS: I am afraid it is an item I would have to inquire about, myself. I am not fully familiar with it. I think it is an organization with NATO, something the same as the United Nations organization is for the United Nations. However, I would have to check on that.

Item stands.

Item 104—To authorize and provide for the payment of fellowships and scholarships and travelling expenses to enable Canadians to study overseas, and to the extent that blocked funds are available for these expenditures, to provide for payment from these foreign currencies owned by Canada and provided only for governmental or other limited purposes, and for payment to the Royal Society of Canada of amounts not to exceed \$10,000 in all to meet travelling and other administrative costs incurred by the society for those it may designate to act on its behalf in selecting persons to receive fellowships and scholarships, \$15,000.

Mr. HOLOWACH: This is of considerable interest to me. I am wondering if Mr. Matthews would tell us the process involved in making application for such fellowship, and who actually authorizes the granting of the fellowship, and whether these scholarships are extended for academic studies only or are they also extended into the field of arts?

The WITNESS: Actually the selection is done on behalf of the department by the Royal Society of Canada. I have not got the details of all the fellowships here but they have been awarded in the arts, music, painting, as well as in the humanities. This is an activity which after the current fiscal year will vanish from our departmental estimates. The estimates submitted for next year will probably have just enough to cover the current expenses of scholars who are already overseas because it will be something to be taken over by the Canada Council.

*By Mr. Kucherepa:*

Q. Are the scholars all overseas now?—A. Yes.



*By Mr. Jung:*

Q. How do they get in touch with us?—A. It is the Royal Society of Canada that publicizes the fact that such scholarships are awarded and they set up the machinery to select the scholars. Our department has not got an organization that could suitably select scholars.

Q. In other words suppose a Canadian student is studying music in London and he runs short of funds. He would go to the Royal Society?—A. Usually the selection is done in Canada and part of the expenditure—a large part of the expenditure is in the form of transportation to Europe as well as maintenance there and transportation back to Canada.

*By Mr. Kucherepa:*

Q. What means of advertising are used to acquaint the public with this type of fellowship?—A. I am afraid that is not done by the department but rather by the Royal Society on our behalf. I am not aware of the details.

*By Mr. Macnaughton:*

Q. It is done throughout universities and conservatories, and they are told that applications can be made to your department and then referred to the Royal Society for decision. Have you any estimates as to the amount of the value of blocked funds remaining unspent?—A. The amount of the vote unspent is very small because the number of scholarships or fellowships is decided upon by looking at the total amount of money that is available. There may be some unspent as the minister announced. He was able to reduce the amount by \$5,000 in his appropriation because a good many of the fellows that were finally selected turned out to be single rather than married, and that meant we did not have to meet travelling expenses of the families as well. So I think it can be estimated that it will be a very small amount left of the \$120,000 which the minister said was the amount that he would finally be asking for under this item.

Q. Originally we had tremendous sums in blocked currency.—A. Yes.

Q. But over the process of time they naturally have been reduced.—A. Yes. To begin with, these scholarships were only awarded out of blocked currency, and for two reasons that has been changed: the amount of the blocked currency began to disappear and also that practice limited the countries in which the scholars could pursue their courses of study. So the way the vote is worded now, it may be new funds as well as blocked funds.

*By Mr. Stick:*

Q. Am I to understand that this vote will disappear now and that the work will be taken over by the Canada Council?—A. Yes. Next year it is probable that there will be a small amount required to meet the expenses of scholars who are already overseas under the program operating this year. But after that it will be taken over by the Canada Council.

*By Mr. MacQuarrie:*

Q. In what countries are they?—A. There are some in Italy I know, but I am not sure what other countries.

*By Mr. Holowach:*

Q. Are there any regulations for example requiring that the scholars must return to Canada later, or must remain in Canada for a certain period of time?—A. I do not think so. I am not sure of the detailed arrangements, but I do not think that requirement is laid down.

The CHAIRMAN: Item 104 will carry subject to the reduction of \$5,000.  
Item agreed to.

Mr. PATTERSON: Mr. Chairman, it is twenty minutes to six. Would it be in order to adjourn?

Agreed to.

The CHAIRMAN: Gentlemen, before you leave I would remind you that we are to meet tomorrow at three o'clock. We will start tomorrow at item 105.

Mr. HERRIDGE: Have any arrangements been made to have General MacNaughton appear before the committee?

The CHAIRMAN: Yes. General MacNaughton will appear on Thursday afternoon.

## APPENDIX "A"

## STATEMENT OF CANADIAN COLOMBO PLAN CAPITAL AID

AS AT MARCH 31, 1957

(Excluding Technical Assistance Aid, Student Training, Cost of Experts, etc.)

Prepared by

INTERNATIONAL ECONOMIC AND TECHNICAL CO-OPERATION  
DIVISION

Department of Trade and Commerce

"COLOMBO PLAN ADMINISTRATION IN CANADA"

INDIA—1951-52 Allocations

*Sheet*  
*Item No.*

1. *Wheat*—Project No. 1. F.E. No. 5/1/52. Allocation—\$10,000,000.

The objectives of the Colombo Plan have always been to endeavour to make South East Asian countries self-sustaining, particularly with regard to food. Nevertheless, when famine hits and there are disastrous food shortages, long term objectives must necessarily give way to measures necessary to meet severe famine conditions. Under those circumstances this project was entered into at the urgent request of our Indian Commonwealth partner. It was agreed that India would set up a counterpart fund in rupees and that those rupees would be used to further some worthwhile permanent project. The Mayurakshi Project in West Bengal was chosen. It is an irrigation and electrical generation project designed to grow about 400,000 tons of food by irrigation from the dam which will be a major contribution to the Indian food shortage. The project will also control a particularly unruly river which has caused much damage to peasant villages in the past.

Project completed 1 March, 1952.

2. *Bombay State Transport*—Project No. 3. F.E. No. 30/6/52. Allocation—\$4,352,775.

The object of this project was to provide much needed transportation to Bombay State which had created a Bombay State Transport Commission but had no capital to finance it. The Central Government at Delhi requested this aid both as an assistance to the peasants and poor cultivators in Bombay to enable them to reach their markets as a measure for facilitating food distribution in the province, and for assistance in clearing wheat and other commodities from the port of Bombay. Transport of all kinds is in extremely short supply in India and has been a contributing factor to famine conditions because it is as important to be able to move food as it is to have it to move.

Project completed July, 1954.

3. *Mayurakshi*—Project No. 6 F.E. No. 1951-52. Allocation—\$500,000 (partial)

This was a first contribution to Canada's undertaking to supply the electrical generating equipment to the Mayurakshi project (see under No. 1 above). This generating equipment was required for electricity for cottage industries, the objective being to balance the economy of the area by the introduction of cottage industry and small factories. The Government of West Bengal has a well integrated scheme of cottage



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industry development which needs this power, which will be 4,000 k.w. This project was opened by the Minister of External Affairs, the Honourable Lester B. Pearson, on November 8th, 1955, and completed November 1956. It is now known as the "Canada Dam".

Project completed November, 1956.

#### INDIA—1952-53 Allocations

4. *Mayurakshi*—Project No. 6 F.E. No. 0802-1376-0414. Allocation—\$2,021,075.

See items 1 and 3. This is the final allotment to the project.

Project completed November, 1956.

5. *Wheat*—Project No. 8. F.E. No. 1/6/53. Allocation—\$5,000,000.

This contribution was made for exactly the same reasons as stated under No. 1 (1951-52) and the counterpart funds generated were also devoted to the Mayurakshi project.

Project completed January, 1953.

6. *Locomotive Boilers*—Project No. 11 F.E. No. 1390-2535. Allocation—\$1,815,522.

Fifty boilers were provided. They were urgently required to help out the Government of India's engine building program which was bogged down because boiler plate, etc. could not be obtained. These boilers removed a bottleneck which had developed in the government locomotive works at Calcutta and enabled 50 Indian built engines which were urgently needed to be put into service.

Project completed October, 1954.

#### INDIA—1953-54 Allocations

7. *Steam Locomotives*—Project No. 16. F.E. No. 1213. Allocation—\$11,000,000.

The Government of India is undertaking a very necessary rehabilitation of its railway system which is fundamental to the economy of the whole country. The railways were run almost to a standstill during the last war. To assist with this rehabilitation, India asked us for 120 W.P. type Steam Locomotives. Together with spare boilers, inspection services, etc., they cost about \$21,315,062 in total. \$11,000,000 of this cost was met from our 1953-54 funds and the balance from our appropriation for 1954-55.

Project completed 20 July, 1956.

8. *Commodities*—Project No. 20 F.E. No. 2538. Allocation—\$5,000,000.

We must bear in mind that with every project to which aid is given, whether under the Colombo Plan or by the United States or the United Nations, rupee capital has to be put up by the countries in the area. Owing to the great effort she is making, India particularly has become very short of such rupee capital and has requested that we supply her with commodities from Canada which she can sell to her own manufacturers and thus generate rupee counterpart funds. The commodities chosen were copper and aluminum and a special purchasing scheme has been worked out under which the regular trade channels will not be disrupted. The rupee counterpart funds realized to date from the sale of the above commodities have been allotted to the Umtru Hydro-electric scheme in the amount of \$2,100,000 and the Atomic Reactor project in the amount of \$2,900,000.

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9. *Umtru*—Project No. 19. F.E. No. 1047—1444-2539. Allocation—\$1,201,956.

India is considerably concerned about the welfare of the hill tribesmen and other inhabitants of Assam where the standard of living is extremely low. It was agreed that the first requisite was power for the development of a fruit canning and preserve making industry and for other similar small industries, mostly to absorb the agricultural products of the State, also for irrigation pumping. The project was examined and pronounced sound by consulting engineers from the Montreal Engineering Company Limited. The Canadian contribution will be \$1,201,956, to be spent on electrical generating equipment, control gates, etc. which, together with the rupee counterpart funds allotted to this project, will make an overall total of roughly \$3,300,000.

Project completed July, 1957.

INDIA—1954-1955 Allocations

10. *Steam Locomotives*—Project No. 16. F.E. No. 1213. Allocation—\$10,470,000.

For details see item No. 7.

Project completed 20 July, 1956.

11. *Diesel Electric Generating Sets*—Project No. 42. F.E. No. 3093-3074. Allocation—\$3,003,000.

Under the Indian Five Year Plan, an attempt is being made substantially to increase the power resources of the country. This project will give aid to that endeavour in areas where major power undertakings are not yet possible. The power will be used for rice and other food processing small plants, for agricultural pumping and other aids to the betterment of general living conditions. As major schemes take over, these sets will be moved to villages still without power.

INDIA—1955-56 Allocations

12. *NRX Type Atomic Reactor*—Project No. 43 F.E. No. 2813-2815. Allocation—\$135,000. (Preliminary expenses only). (See also item 17).

In considering their power development, the various governments of South East Asia have for a long time been investigating the possibilities of atomic power. There is no doubt but that in many areas this will be a great boon to them because even where they have possible hydro-electric sites, they are not always situated in places where it would be advantageous to develop industry. But the use of atomic power is not something which can be undertaken without a very considerable and carefully trained scientific force. The instrument for this training is the NRX Reactor. An arrangement has been made under which India will train the nationals of other countries in South East Asia and give them atomic experience. The production of isotopes for radiography and other purposes will assist India in development plans.

13. *Locust Control*—Project No. 44. F.E. No. 51-52 Funds. Allocation—\$135,685. (From unexpended funds—Proj. No. 3).

One of the great scourges of Asia through the centuries has been the ravages of the locust. FAO has now taken hold of this problem and has tried to organize it on a scientific basis, which means killing the locusts

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where they start rather than in the individual countries which they ravage. India applied for aid from Canada to do her share in this campaign which is actually being carried out in Saudi Arabia. Our contribution is Canadian-made trucks with two-way radio control. When the campaign is over in Saudi Arabia these trucks and the Indian teams that man them will go back to India and help to mop up the locusts there.

Project completed March, 1956.

14. *Kundah Hydro-electric Project, Madras*—Project No. 45. F.E. No. 2786. Allocation—\$13,000,000. (See also item 19).

The Ootacamund area of the Nilgiri Hills is an ideal one for hydro-electric power development. Power is urgently needed in the Madras area for further rural development, agricultural pumping and food processing. At the time of the preparation of this report the construction work on Kundah is going forward well; our Consulting Engineers, in co-operation with the Madras engineers, have prepared specifications for the electrical generating equipment, which is being manufactured, and there are no major problems.

15. *Pest Control*—Project No. 47. F.E. No. 2800. Allocation—\$160,000.

One of the inhibiting features in growing more food in India is the great number and variety of pests which attack food crops. FAO and other aid organizations have been much concerned with pest destruction programmes. Two Beaver aircraft are being supplied in response to a request for aid in this field from Canada. The machines were sent out with spraying and dusting equipment.

Project completed October, 1956.

16. *Magnetometer Survey*—Project No. 48. F.E. No. 2801. Allocation—\$125,000. (See also item 18).

It is vitally necessary that India develop its potential oil resources. This project is to aid in that endeavour. The Magnetometer Survey was done in West Rajasthan and the Indo-Gangetic Plain and a Canadian firm was appointed to undertake it. The work has been completed and the reports given to India.

Project completed June, 1957.

#### INDIA—1956-57 Allocations

17. *NRX Type Atomic Reactor*—Project No. 43. F.E. No. 2813-2815. Allocation—\$5,000,000. (This allocation includes the \$135,000 shown against item 12).

See item 12, Project No. 43. The Government of India asked Canada to provide an NRX Type Reactor. An agreement between the Governments of India and Canada was signed on April 28, 1956, and a contract was placed with Atomic Energy of Canada Ltd., for the supply of the reactor. Rupee counterpart funds in the amount of \$2,900,000. from the sale of copper and aluminum have been allocated to this project.

18. *Magnetometer Survey*—Project No. 48. F.E. No. 2801-1. Allocation—\$132,060.

These additional funds were an adjustment to F.E. No. 2801.

Project completed June, 1957.



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19. *Kundah Hydro-electric Project, Madras*—Project No. 45. F.E. No. 2786. Allocation—\$7,000,000.

These additional funds were an adjustment to F.E. No. 2786. See item 14.

#### PAKISTAN—1951-52 ALLOCATIONS

20. *Cement Plan*—Project No. 5 F.E. No. 1324. Allocation—\$5,000,000.

The object of this project is to provide cement for the Thal refugee settlement area in the North West Punjab where Pakistan hopes to settle some of its refugees resulting from the partition of India and Pakistan, of which there are roughly 7,000,000. Water will be carried in from the Indus in cement ducts, housing will have to be provided on a large scale, villages and bazaars built, etc. The distance from Karachi to the Thal and the difficulties of transport are so great that the movement of large quantities of cement to the area would be extremely costly. Fortunately cement making materials were found in abundance, likewise coal, and the most practical solution came to be the building of a cement plant in the area itself, to which Canada agreed to contribute the cement making machinery and Pakistan to build the building to house it. This plant was completed in 1957 and is producing 100,000 tons a year.

Project completed January 1957.

21. *Railway Ties*—Project No. 4 F.E. No. 21/1/55. Allocation—\$2,770-490.

The International Bank for Reconstruction and Development made Pakistan a loan for the urgently needed rehabilitation of her railways. Pakistan is dieselizing her railway system and the loan was not big enough to pay for the large number of wooden railway ties needed for the rebuilding of many miles of track to take the larger diesels. Canada agreed to supply this deficiency as a fundamental contribution to the economy of the country. The ties were obtained on the West Coast of Canada.

Project completed April 1954.

22. *Aerial Resources Survey*—Project No. 12 F.E. No. 842. Allocation—\$2,000,000.

West Pakistan had never been fully surveyed, and seeing that the country must develop an industrial balance to its present agricultural economy, it was vital that a proper resources survey be made. Canada agreed to do this through the medium of a well established Canadian company. The Government of Pakistan considers this a most valuable project looking to the future of the development of their country. Canadian geologists worked in the most likely areas discovered by the survey and later (see item 28) a land-use survey was added (Project No. 35).

(This part of project completed but work continued under Project No. 35).

23. *Thal Farm*—Project No. 2. F.E. No. 22/1/52. Allocation—\$200,000.

The development of this farm was a joint effort between Australia, New Zealand and Canada. Its objective was to provide refugee settlers (see "Cement Plant" No. 20 above) with draft, milk and other animals when they arrive, to carry on agricultural experiments and provide the best type of seed for the area, and in general to have a research station

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for the benefit of these refugees. Canada's contribution has been agricultural machinery, some experts via the Technical Assistance scheme, wire and such like material.

Project completed May 1956.

#### PAKISTAN—1952-53 ALLOCATIONS

24. *Wheat*—Project No. 7. F.E. No. 0336. Allocation—\$5,000,000.

Pakistan experienced a famine and asked us for aid. We made the same arrangements as with India (item 1) and gave wheat to the amount stated, but stipulated that counterpart funds in rupees must be set up to be devoted to some worthwhile project. Canada also made a contribution of five million dollars worth of wheat outside of and in addition to Colombo Plan aid.

Project completed December, 1952.

25. *Warsak*—Project No. 22. F.E. No. 0802-2509. Allocation—\$3,421,762.

Warsak is an irrigation and electrical generation project 19 miles from Peshawar on the North West Frontier of Pakistan. The endeavour to turn the unruly tribes of this Frontier into law abiding and self-sustaining citizens was a British problem for several hundred years. The Pakistan Government, owing in part to the cement of the Moslem faith, has been extremely successful in this endeavour. Relatively speaking, the Frontier is now quiet and law abiding. Schools in considerable numbers are being established. It is now necessary to supply irrigation where it can be used, which in this hill area means a considerable amount of pumping, and to provide power for industry not only in the immediate neighbourhood, but for grid distribution to a wider territory. Power will enable the tribesmen to develop their very considerable skills as craftsmen. Canada is contributing the design, which is being undertaken by one of Canada's most prominent consulting engineers, and a Canadian contractor is building the dam, tunnels, power house, etc. Canada will also supply the electrical generating equipment, control gates and construction plant. At the time of writing this report upwards of 100 Canadians, some with families, are working at the site.

(see also Items 29, 33, 37 and 39).

26. *Cement Plan*—Project No. 5. F.E. No. 1324. Allocation—\$500,000.

This \$500,000 was needed as an addition to the amount provided for the original contract. (See No. 20 under 1951-52 above).

Project completed January, 1957.

27. *Beaver Aircraft*—Project No. 10. F.E. No. 1377. Allocation—\$178,000.

Three Beaver Aircraft were supplied to Pakistan to meet a demand for locus and general pest control. With the "Grow More Food" campaign, which has been a feature of the Pakistan economy for some time, it becomes necessary to control the destruction by locusts and other pests as part of the program, and a pest control service is being set up by the Pakistan Government to which this gift from Canada will contribute.

Project completed October, 1953.

## PAKISTAN—1953-54—ALLOCATIONS

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28. *Aerial Agricultural Land Use and Soils Survey*—Project No. 35. F.E. No. 0842. Allocation—\$1,000,000.

Very unexpectedly, Pakistan was hit by famine which showed up the need for a review of her available agricultural land from a "land use" point of view, and the production of a "land use" map leading to the development of data of vital importance to the more effective development of her agricultural resources. Seeing that the machines which did the resources survey (see No. 22 under 1951-52 above) were still there, the Government of Pakistan requested that we continue the work from an agricultural land-use and soils point of view, which we agreed to do. This extra survey means that we shall have photographed practically the whole of West Pakistan as the following figures show:

	Sq. Miles	Sq Miles
Area of West Pakistan .....		306,943
Resources Survey .....	163,000	
Agricultural Survey .....	139,500	
Balance of land not surveyed being mountains, cities, etc. ....	4,443	
	<hr/>	<hr/>
Sq. Miles .....	306,943	306,943

These surveys will be available to other aid agencies; to oil company exploration; to agricultural experts and others interested in the development of Pakistan.

29. *Warsak*—Project No. 22. F.E. No. 2675-2699. Allocation—\$6,000,000.

See note under No. 25 in 1952-53 above. This was an additional sum of money required for the same project and for the same purposes.

30. *Shadiwal*—Project No. 38. F.E. No. 2640. Allocation—\$2,507,095.

There is a most unfortunate situation in the Punjab north of Lahore, where a large area has gone out of cultivation due to a rise in the water table, mostly from irrigation canal seepage, which in turn has brought about a condition of soil salinity which inhibits cultivation. The FAO, which is a special agency of the United Nations, has worked out a remedy which is to wash the soil out by continuous pumping until the soil is normal and then to regulate irrigation by continual pump control. Canada is asked to assist by supplying one power station to be located on a canal and driven by canal flow. Our contribution will be dewatering and construction equipment and design and supply of the generating and power house equipment. A consulting engineer from Canada has examined the project and pronounced it sound.

## PAKISTAN—1954-55 Allocations

31. *Ganges-Kobadak Project*—Project No. 23. F.E. No. 2516. Allocation—\$1,806,343.

Situated in East Pakistan, this project is intended to restore to fertility roughly one million acres of land put out of production by the change in course of the Ganges. This change of course dried up the rivers Mathabhanga; Kumar; Nabaganga; Bhairab; Chitra; and Kobadak; by pumping into their dry beds from a point where the Ganges flows nearest



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to them, they would in effect become irrigation canals and the large Brahmaputra-Ganges Delta would become fertile again. This would have the effect, not only of supplying a present shortage of rice, but would put East Pakistan into an exportable surplus position. Canada's contribution to the scheme is a steam thermal plant for the generation of the power to drive the large pumps which would be necessary. This contribution has the advantage that even should the overall scheme fail (which is most unlikely) the power from the Canadian plant would be available for other purposes. Power is urgently needed in this area. At the time of this report the power plant is in process of erection.

32. *Dacca-Chittagong Electric Distributory Link*—Project No. 27. F.E. No. 2522. Allocation—\$4,006,343.

There are now many small power units in East Pakistan which are wasteful in that they power small machines or factories but could produce extra power if there were any means of distributing it on a wider scale. Larger units of power production are being introduced and the Karnafuli development will be a major source of supply. The need for a proper distribution system is vital and we have been asked to help bring one into being. A consulting engineer from Canada has examined the scheme and has reported favourably upon it as a major contribution to the economy and power resources of East Pakistan. At the time of writing this report plans for starting the work are well advanced.

33. *Warsak*—Project No. 22. F.E. No. 2675-2699. Allocation—\$2,000,000.

See under Item No. 25 in 1952-53 and Item 29 in 1953-54. This additional sum is required to build up the fund required for the Warsak project which will be expended over a period of years.

34. *Cement Plant*—Project No. 5. F.E. No. 1324. Allocation \$1,250,000.

This sum was required to take care of an increase in power agreed upon and to strengthen the foundations after careful analysis had revealed a much weaker sub-strata than had been expected from earlier soil tests.

Project completed January, 1957.

35. *Aerial Survey*—Project No. 35. F.E. No. 0842-A. Allocation—\$54,800.

The original Aerial Survey Project undertook 50,000 sq. miles of soil survey; we were requested to extend this to 85,000 sq. miles and this additional sum of money took care of this extra 35,000 sq. miles of soil investigation and analysis. (see also Items 22, 28 and 40).

36. *Commodities*—Project No. 37. F.E. No. 2668. Allocation—\$1,000,000.

The objective of this project was to supply Pakistan with much needed copper and aluminum (see item 8, Project No. 20 for India) for the same reason as we agreed to do so for India. Pakistan had built a wire plant but had no copper with which to commence operating it.

## PAKISTAN—1955-56 Allocations

37. *Warsak*—Project No. 22. F.E. No. 2675-2699. Allocation—\$7,000,000.

See under Item 25 in 1952-53, Item 29 in 1953-54 and Item 33 in 1954-55. This additional sum is required to build up the fund required for the Warsak project.

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38. *Goalpara (Khulna) Thermal Station*—Project No. 41. F.E. No. 2797. Allocation—\$2,000,000.

There is a great shortage of power in East Pakistan and the jute mill and other factory development is thus considerably handicapped. It has been possible to buy up spare standby thermal power plants from the Ontario Hydro-electric Power Commission and use them in Pakistan. For this project one such plant of 20,000 k.w.'s was purchased. (Also for Project No. 5, Item 20 and Project No. 23, Item 31). The advantages of purchasing these plants are many—they have been very little used, only enough to eliminate technical difficulties, they are very much cheaper than similar plants manufactured today; they are immediately available.

PAKISTAN—1956-57 Allocations

39. *Warsak*—Project No. 22. F.E. No. 2675-B, 2699-A—2837. Allocation—\$9,200,000.

These further additional funds are necessary for the continuation of the project program by building up the Warsak project fund.

40. *Aerial Survey*—Project No. 35. F.E. No. 0842—0842-A—2632. Allocation—\$83,190.

These additional funds were required for the completion of the project. (see also 22, 28 and 35).

41. *Locust Control Trucks*—Project No. 62. F.E. No. 3144. Allocation—\$100,000.

As a Pakistan contribution, to the locust control program being undertaken by India and other countries in the Arabian Peninsula, at the suggestion of the FAO Technical Advisory Committee, Canada agreed to assist by providing twenty trucks equipped with two-way radio communication sets.

CEYLON—1952-53 Allocations

42. *Fisheries Project*—Project No. 29. F.E. No. 0854—0892—2525. Allocation—\$1,296,708. (see also items 44 and 63).

It was decided to assist the Ceylon Government to provide more protein in the food of its people as suggested by the experts at the World Health Organization. It was thought that the best way to do this would be by putting more fish into the diet, but fishing in Ceylon has always been a somewhat precarious business and Canada was asked, seeing that she is herself a fishing country, to provide a fishing experimental project. Two experimental boats were built on the Canadian West Coast and manned by a Canadian crew, a fishing biologist was sent out and a fishing expert put in charge of the whole project. A considerable amount of research work has been done by the two Canadian experimental boats in mapping the habits of fish shoals, fish feeding grounds, etc. and in showing the local fishermen how to use more efficient fishing gear. In addition to the two experimental boats, a trawler was purchased which has caught a considerable amount of fish much of which has been wasted owing to the lack of refrigeration. It was decided to complete the project by providing a relatively small refrigeration plant and also a reduction plant for turning fish offal into cattle meal and fertilizer and also for the extraction of liver and other fish oils. This refrigeration project, worked out in detail by refrigeration experts, is now completed.

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The Ceylon Government has built on an appropriate site, a proper fishing harbour, of which the refrigeration plant is a part. It is hoped that this up-to-date fishing project will point the way to a substantial method of increasing the protein value of the Ceylonese diet and will also aid in betterment of conditions for the local fishermen. Also a part of the scheme is an attempt to found fishing co-operatives by a Canadian Co-operatives expert.

Project completed July, 1957.

43. *Gal Oya Transmission Lines*—Project No. 15. F.E. No. 1155. Allocation—\$774,572.

One of the very grave problems of the Ceylon Government is to bring about a more equitable population distribution. The areas immediately north and south of the capital, Colombo, are amongst the most congested in the world, whereas in the centre and on the opposite side of the island there is a considerable amount of uncultivated land (not previously usable until malaria was wiped out there). In the congested area there is much poverty which has given rise to considerable Communist agitation. The Government is now opening up projects in the sparsely populated areas of the country, and the Gal Oya project is the largest of these where it is hoped to settle eventually a considerable number of immigrants from the west coast. But irrigation, power development and distribution all have to be undertaken. The Government of Ceylon has built, on money borrowed from the International Bank, a power station, but had no funds for power distribution. Canada agreed to build power distribution lines for this Gal Oya area.

#### CEYLON—1953-54 Allocations

44. *Fisheries Project*—Project No. 29. F.E. No. 2524-2525. Allocation—\$140,000. (see also items 42 and 63).

Equipment shipped in 1956.

These funds were allocated out of the 1953-54 Vote to provide small marine engines, laboratory equipment, machineshop tools and fishing equipment required to maintain experimental work in progress.

Project completed July 1957.

45. *Flour*—Project No. 30. F.E. No. 1194. Allocation—\$449,904.

This flour was supplied for the purpose of aiding the Government of Ceylon in linking up villages and agricultural areas by the building of rural roads, thus increasing marketing possibilities and generally opening up backward areas. The Government of Ceylon sells the flour and the rupees thus realized are used to provide culverts, engineering, etc. for roads, the villagers providing the labour.

Project completed February 1954.

46. *Flour*—Project No. 33. F.E. No. 2812. Allocation—\$300,000.

This flour will be sold by the Government of Ceylon and the rupees used to meet the local costs of building a school of Practical Technology in Colombo. Ceylon is very short of all kinds of trained technicians.

Project completed September 1956.



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47. *Agricultural Station Workshops*—Project No. 21. F.E. No. 2502. Allocation—\$225,000.

This part of the project completed—(see also Item 69).

Agriculture in Ceylon is being organized in District Stations and in each one a workshop is being established to take care of repairs to agricultural machinery. We supplied tools for these shops, some agricultural equipment and two mobile veterinary vans.

48. *Pest Control Equipment*—Project No. 17. F.E. No. 1289. Allocation—\$28,137.

This part of the project completed—(see Items 62 and 68).

Agriculture in Ceylon suffers from numerous pests. To aid Ceylon in controlling these we supplied trucks fitted with spraying and dusting equipment.

49. *Flour*—Project No. 36. F.E. No. 2610. Allocation—\$49,949.

The proceeds of the sale of this flour are to be used to assist the Ceylon Government to meet local costs of building a laboratory at the University of Ceylon.

Project completed May 1955.

50. *Two Diesel Locomotives*—Project No. 13. F. E. No. 1068. Allocation—\$370,024.

Ceylon is in process of dieselizing its railways. A particularly satisfactory diesel locomotive which ideally suits Ceylon conditions has been found in production in Canada. This locomotive is being made standard and from the above sum two such locomotives with spares were provided, also training for a Ceylonese maintenance man was provided in Canada. (see also Items 52, 66 and 73).

Project completed October 1954.

51. *Portable Irrigation Units*—Project No. 14. F. E. No. 1107. Allocation—\$185,000.

This is a new departure in Ceylon irrigation and was developed for areas with good wells. The equipment consists of aluminum piping and sprinklers, water being pumped from a small rig mounted on a push cart. Peasants move this equipment from well to well and thus irrigate a substantial area. This method is very popular and is proving to be of great benefit in areas short of regular rainfall.

Project completed May 1957.

#### CEYLON—1954-55 Allocations

52. *Three Diesel Locomotives*—Project No. 28. F. E. No. 2523. Allocation—\$486,649.

This project is related to Item No. 50 and the assistance being provided to Ceylon to dieselize her railways. (see also Items 66 and 73).

Project completed November 1954.

53. *Railway Wooden Ties*—Project No. 34. F. E. No. 2554. Allocation—\$183,604.

This project was undertaken to aid Ceylon in the rehabilitation of her railway system.

Project completed March 1955.

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54. *Airport Equipment*—Project No. 24. F. E. No. 2718 and 2809. Allocation—\$212,000.

As the airport at Ratmalana (Ceylon) was very badly equipped in almost every way, Canada was asked to assist in its modernization, and to determine what was required and what part Canada should consider undertaking, a team of Canadian experts was sent to Ceylon to make the necessary survey (see also Item 70) and to establish finances for a project an allotment of \$212,000. was provided out of the 1954-55 program.

55. *Colombo Harbour Equipment*—Project No. 25. F. E. No. 2719. Allocation—\$400,000.

The harbour at Colombo is being developed from an anchorage-lighter system to modern docks. Canada was asked for aid in this endeavour and is contributing nine level luffing cranes manufactured in Canada.

Material shipped and being erected.

56. *Gal Oya Agricultural Development Scheme*—Project No. 26. F. E. No. 2698 Allocation—\$210,000.

The objective of this scheme is to irrigate high land out of the reach of flow irrigation. It links with our Project No. 15 (Item 43) in that power for it will be supplied by our transmission line. For this project we are supplying pumps, aluminum piping and some agricultural equipment. Major items were shipped during 1956—Spares were shipped March 1957.

57. *Flour*—Project No. 59. F. E. No. 2549. Allocation—\$200,000.

These are additional funds allocated to the building of rural roads program. (see Item 45 above).

Project completed October 1954.

58. *Flour*—Project No. 46. F.E. No. 2788. Allocation—\$180,000.

This flour will be sold by the Ceylon Government and the resulting rupees will be used to build and equip co-operative schools. (see descriptive matter on Project No. 29 Item 42).

Project completed December 1955.

#### CEYLON—1955-56 Allocations

59. *Flour*—Project No. 59. F.E. No. 2610-2812. Allocation—\$400,000.

This flour was sold by the Government of Ceylon and \$400,000 in equivalent rupees was used to provide further assistance to Project 29 (Item 42)—Mutual Harbour for our fisheries project.

Project completed May 1956.

60. *Flour*—Project No. 33. F. E. No. 2812. Allocation—\$200,000.

This is a continuation of Project No. 33 (Item 46) where flour was shipped to Ceylon to generate counterpart funds for local costs of the building of the Katubedde Institute.

Project completed September 1956.

61. *Equipment for school of Practical Technology—Katubedde*—Project No. 9. F.E. No. 2804. Allocation—\$200,000.

As this school is designed for the training of practical technicians which will assist to overcome a critical shortage of trained personnel in

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Ceylon, Canada undertook to provide equipment required for the various laboratories. This project is closely associated with No. 33 (Item 60) where Canada shipped flour to provide counterpart funds which would be used towards the building of the institute itself.

62. *Pest Control Units*—Project No. 17. F. E. No. 2697. Allocation—\$30,000.

As the results of the earlier stages of this project (see Item 48) were proving very useful, Canada undertook to provide 10 additional dusting and spraying units. (see also Item 68).

63. *Fisheries*—Project No. 29—F. E. No. 2524. Allocation—\$80,000.

This sum was required for the provision of insulated trucks and fishing equipment as additions to the project set out in Items 42 and 44. Plant construction complete—final test to be made in July 1957.

64. *Aerial Survey*—Project No. 40. F. E. No. 2720. Allocation \$200,000. (see also Item 71)

Ceylon was very anxious to have a resources survey along the lines of the one supplied to Pakistan. This project was inaugurated to set up such a survey from this year's funds and will need further funds to complete from some future year.

Photographic work completed late 1956.

65. *Colombo Harbour Equipment*—Project No. 25. F. E. No. 2719. Allocation—\$180,000.

This sum was required to complete the purchase of the nine cranes shown in Item 55.

Material shipped and being erected.

66. *Three Diesel Locomotives*—Project No. 39. F. E. No. 2700. Allocation—\$555,000.

This project connects with Project 13 (Item 50) and Project 28 (Item 52) and supplies Ceylon with three more Canadian built diesel locomotives with spares, making eight in all. (See also Item 73).

#### CEYLON—1956-57 Allocations

67. *Gal Oya Transmission Lines*—Project No. 15. F.E. No. 1293-1155. Allocation—\$400,000.

These additional funds were required for the continuation of the project program. (see Item 43).

68. *Pest Control*—Project No. 17. F. E. No. 3134. Allocation—\$30,000.

These funds were for the provision of additional units and associated equipment for the project program. (see also Items 48 and 62).

69. *Agricultural Station Workshops*—Project No. 21. F. E. No. 1222. Allocation—\$115,000.

Tools and equipment were supplied for this project under the 1953-54 program. (see Item 47 above). A request for similar tools and equipment for an additional twenty stations was received and this further allocation was made for the 1956-57 program.

70. *Airport Equipment*—Project No. 24. F. E. No. 2718-1. Allocation—\$80,000.

Following receipt of the report on the survey conducted (see Item 54) it was decided Canada should supply the telecommunications equipment required, and to meet the costs involved an additional allotment of \$80,000. was provided for in the 1956-57 program.



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71. *Aerial Survey*—Project No. 40. F. E. No. 2720. Allocation—\$338,700.

These funds were required for the completion of the project, as indicated in Item 64.

Recording work proceeding—see also Item 64.

72. *Flour*—Project No. 64. F. E. No. 3135. Allocation—\$641,500.

This flour is being supplied to generate rupee counterpart funds for local construction costs of the following:

Veterinary building, University of Ceylon.....	\$ 41,500
Trade School .....	200,000
Rural roads .....	400,000

Total.....	<u>\$641,500</u>
------------	------------------

Shipment completed April and May, 1957.

73. *Two Diesel Locomotives*—Project No. 65. F.E. No. 3136. Allocation—\$370,000.

This project connects with Project 13 (Item 50); Project 28 (Item 52) and Project 39 (Item 66) and supplies Ceylon with two more Canadian built Diesel locomotives with spares, making 10 in all.

Shipment not expected until late 1957.

74. *Flour*—Project No. 59. F. E. No. 2549-2812. Allocation—\$600,000.

This flour was sold by the government of Ceylon and the resulting rupees allocated as follows:

To provide further assistance to meet the costs of building the Mutwal Fisheries Harbour (Project 29—Item 42)..... \$400,000

To provide further assistance to meet the costs of rural roads' construction (Project 30—Item 45) ..... 200,000

Shipments made during 1956—Project completed.

#### MALAYA—1956-57 Allocation

75. *Aero-magnetic and Radio-activity Survey*—Project No. 63. F. E. No. 3121. Allocation—\$201,000.

To assist the economic development of Malaya, Canada agreed to conduct an aero-magnetic and radio-active survey. A contract was entered into for the survey in the total amount of \$314,500., of which Canada is responsible for the provision of \$201,000.

Flying work completed May 1957—Recording work proceeding.

#### SINGAPORE—1956-57 Allocations

76. *Singapore Polytechnic*—Project No. 68. Allocation—\$50,000.

This allocation was made originally as a money grant to assist the Government of Singapore equip the new Polytechnic being constructed in Singapore. This Polytechnic will be open to students from over the whole region of the Malayan and Javanese Archipelago and thereby help to overcome the critical shortage of trained technicians existing. The Singapore Government elected to spend this grant on machinery to equip the woodworking shop which is being ordered in Canada through the Canadian Colombo Plan Administration and Canadian Commercial Corporation.

Purchasing action has been started.

## INDONESIA—1956-57 Allocations

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77. *Gresik Cement Plant Library*—Project No. 67. F. E. No. 3147. Allocation—\$400.

To provide a nucleus for a suitable reference library for the new Cement Plant at Swabaja, which will also be used by Indonesian technologists and trainees.

## DETAILS OF EQUIPMENT PROVIDED UNDER TECHNICAL ASSISTANCE

## BURMA—1955-56

78. *Cobalt Beam Therapy Unit*—Project No. 54. F.E. No. 2803. Allocation—\$28,500.

The Government of Burma requested a Cobalt Deep Therapy Unit for the Rangoon General Hospital for the treatment of cancer and the training of both under-graduate and post-graduate medical personnel. The hospital handles about 500 cases of all types of cancer per annum and with the establishment of a cancer clinic the number is expected to exceed 1,500 per annum. When the request was received in November 1954, no cancer clinics were operating anywhere in Burma. Shipment of the unit will be made when installation facilities are ready.

(Hospital building nearing completion and arrangements are being made to ship the unit.)

79. *Text Books for University of Rangoon*—Project No. 56. F.E. No. 2781. Allocation—\$1,013.

In July, 1955, Burma requested 200 textbooks from Canada. These books—"Principles of Management"—were to be used at the University in a new course in Management and Administration. Lecturers were to be drawn from a pool of foreign experts serving in Burma under various aid agencies. The books were shipped in September 1955.

Project completed September 1955.

80. *Equipment for Permanent Training Centre—Rangoon*—Project No. 58. F.E. No. 2808. Allocation—\$16,000.

In November, 1955, Burma asked Canada to assist in the equipping of a Permanent Training Centre which will instruct in the operation and maintenance of farm machinery. This request also asked that a Canadian Colombo Plan expert be assigned to teach the use of the equipment and workshop methods and practices. The equipment was shipped in August, 1956, and an expert was assigned to this project and is now in Rangoon.

## BURMA—1956-57

81. *Rangoon Technical High School Equipment*—Project No. 60. F.E. No. 2943. Allocation—\$85,000.

In conjunction with the United Kingdom, Australia and the Ford Foundation, Canada was asked to assist the development of the Rangoon Technical High School by providing small tools and bench equipment. This school will provide a two-year course in academic subjects and the electrical, mechanical and civil engineering trades. Following the visit of a Canadian technical expert to Burma, it was agreed Canada should supply equipment in the following categories: (1) Brick-laying

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- (2) Carpentry (3) Sheet-metal (4) Welding (5) Blacksmithy (6) Foundry (7) General tools (8) Office equipment (9) Contingencies.  
All equipment shipped.

82. *Photographic Equipment for Burma Survey Department*—Project No. 61. F.E. No. 2962. Allocation—\$40,000.

Canada agreed to supply certain scientific equipment to assist Burma's Survey Department with its expansion program into the fields of mapping photogrammetry and interpretation of air photographs. All equipment has been shipped except the precision levels and it is expected these will be shipped in June and October of 1957.

#### CAMBODIA—1954-55

83. *Mobile Veterinary Service Clinics*—Project No. 49. F.E. No. 2621. Allocation—\$15,000.

The Cambodian Government requested two mobile veterinary units in December, 1954, to assist in the extension of veterinary facilities in the rural areas and generally assist the movement of existing trained veterinary staffs in the field. Two units were shipped in June, 1955.

Project completed June 1955.

#### CEYLON—1953-54

84. *Equipment for Agricultural Laboratory—University of Ceylon*—Project No. 18. F.E. No. 1388. Allocation—\$21,003.

In conjunction with Canada's contribution of assistance towards the local costs of laboratory buildings at the University of Ceylon, we undertook to supply equipment for the Agricultural Laboratory. All requisite equipment has been shipped.

Project completed December 1954.

#### CEYLON—1954-55

85. *Mobile Cinema Vans*—Project No. 51. F.E. No. 2643. Allocation—\$19,618.

The Government of Ceylon requested self-contained mobile cinema vans for their Department of Education, to assist in the general education of the people in villages and urban areas where electricity was not available. The vans were shipped in November 1955.

Project completed November 1955.

86. *Machine Tools for Junior Technical School, Galle*—Project No. 50. F.E. No. 2603. Allocation—\$5,000.

Canada agreed to provide equipment required for the wood-working shop of the Junior Technical School at Galle. All supplies were shipped by November, 1955.

Project completed November 1955.

87. *Film Strips for Technical Education*—Project No. 55. F.E. No. 2616. Allocation—\$2,000.

Ceylon requested a number of films as an educational aid in technical schools. The films were supplied in March 1955.

Project completed March 1955.



## INDIA—1954-55

## Sheet

## Item No.

88. *Biological Control Stations*—Project No. 52. F.E. No. 2619. Allocation—\$38,355.

This project was undertaken at the instance of India in order to cooperate with the Commonwealth Institute of Biological Control. The actual money in this case was turned over to the Government of India for this project which was constructed under the supervision of a Canadian expert.

## INDIA—1955-56

89. *Film Strips*—Project No. 66. F.E. No. 3098. Allocation—\$275.

Films and film strips to be presented by the High Commissioner's Office in New Delhi to the Minister of National Resources and Scientific Research in India.  
Project completed.

## PAKISTAN—1953-54

90. *Tractor Training School (East Pakistan)*—Project No. 31. F.E. No. 2544. Allocation—\$18,000.

Equipment was supplied to set up training schools for the repair and maintenance of farm tractors.  
Project completed.

91. *Mobile Dispensaries for use in Coal Fields*—Project No. 32. F.E. No. 2545. Allocation—\$11,795.

Two complete units were supplied in order that medical aid could be carried to the miners' homes and the mines from two established hospitals in Punjab and Boluchistan.  
Project completed November 1954.

## PAKISTAN—1954-55

92. *Biological Control Station*—Project No. 53. F.E. No. 2620. Allocation—\$46,155.

This project similar to and in conjunction with Project No. 52—Item 88 above.

93. *Hatching Eggs & Incubator*—Project No. 57. F. E. No. 2613. Allocation—\$3,106.

These eggs and incubator were shipped to assist in stocking the Government's Poultry Farm at Landhi near Karachi.

APPENDIX "B"

STATISTICAL SUMMARY OF  
TECHNICAL CO-OPERATION PROGRAM  
1950—31 MARCH 1957  
TECHNICAL CO-OPERATION SERVICE  
INTERNATIONAL ECONOMIC AND TECHNICAL CO-OPERATION  
DIVISION  
DEPARTMENT OF TRADE AND COMMERCE  
OTTAWA, CANADA

TABLE 1  
 NUMBER OF PERSONS TRAINED IN CANADA THROUGH TECHNICAL CO-OPERATION SERVICE FROM 1950 TO 31 MARCH 1957, BY AGENCY  
 FOR WHICH TRAINING WAS ARRANGED AND ARRIVALS AND DEPARTURES EACH YEAR

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	Arrivals										Departures							Number in Canada as at March 31, 1957
	1950	1951	1952	1953	1954	1955	1956	1957	Total	1951	1952	1953	1954	1955	1956	1957	Total	
—	—	59	41	61	83	139	253	31	667	30	45	32	69	89	*182	22	469	198
6	6	31	80	57	32	23	29	8	266	28	59	71	37	25	31	5	256	10
—	—	—	15	14	5	6	6	1	47	—	6	15	13	6	4	2	46	1
—	—	—	2	6	1	9	6	2	26	—	2	6	1	8	5	2	24	2
—	—	—	3	2	—	2	2	—	9	—	1	4	—	—	4	—	9	—
—	—	—	—	1	1	1	2	—	5	—	—	1	1	1	1	—	4	1
—	—	—	—	2	6	23	14	2	47	—	—	2	6	23	14	2	47	—
—	—	—	—	—	1	—	1	—	2	—	—	—	1	—	1	—	2	—
6	6	90	141	143	129	203	313	44	1,069	58	113	131	128	*152	*242	33	857	212
	Total.....																	

\* Corrected figure.



TABLE 2  
NUMBER OF PERSONS TRAINED IN CANADA THROUGH TECHNICAL CO-OPERATION SERVICE FROM 1950 TO 31 MARCH 1957, BY COUNTRY  
AND AGENCY FOR WHICH TRAINING WAS ARRANGED

COUNTRY	Calendar Years 1950-1956						From 1 January 1957 to Date											
	Co-lombo Plan	United Nations	UNESCO	FAO	ICAO	ILO	ICA	Others	Total	Co-lombo Plan	United Nations	UNESCO	FAO	ICAO	ICO	ICA	Others	Grand Total
Alghanistan.....									1		1							2
Alaska.....		1			1				1									1
Australia.....		1							2									2
Austria.....		1	1						2									2
Belgium.....		3							1									1
Bolivia.....		11			1		1		5									5
Brazil.....		6							12									12
British Guiana.....		8							6									7
British West Indies.....		6							10							1		11
Burma.....	20	6	1	2		1			29	4								33
Cambodia.....	5	1	2						8									8
Ceylon.....	51								51	2	1							54
Chile.....		6	1	2					9		1							10
Colombia.....		5		1		1	4		7									7
Costa Rica.....									1									1
Cuba.....		1							1									1
Cyprus.....				1					1									1
Denmark.....		2	1						3									3
Ecuador.....		19	2	1	1				6									6
Egypt.....		1							19									19
El Salvador.....		12		3	2				17		3							20
Finland.....		4	4						9		1							10
France.....		4	1				1		1									1
French Togoland.....									3									3
Germany.....		3							1									2
Ghana.....		1	1						2									2
Gold Coast.....		1					1		2									2
Greece.....		1	1						2									2
Guatemala.....		6	4						11									11
Haiti.....		2		1		1			2									2
Hong Kong.....		24	3						2									3
India.....	211	8	3	3					242	2								245
Indonesia.....	93	3	1						100	14			1					114
Iran.....		8	2	1	1		5	1	17			1						18
Iraq.....		4	1	1					6									7
Israel.....		10		2			5		17									17
C/twd.....	380	154	25	19	9	5	21	1	609	22	7	1	2			1		642

TABLE 2—concluded

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NUMBER OF PERSONS TRAINED IN CANADA THROUGH TECHNICAL CO-OPERATION SERVICE FROM 1950 TO 31 MARCH 1957, BY COUNTRY AND AGENCY FOR WHICH TRAINING WAS ARRANGED—concluded

COUNTRY	Calendar Years 1950-1956										From 1 January 1957 to Date							
	Co-lombo Plan	United Nations	UNESCO	FAO	ICAO	ILO	ICA	Others	Total	Co-lombo Plan	United Nations	UNESCO	FAO	ICAO	ILO	ICA	Others	Grand Total
B/Fwd.	380	154	25	19	6	3	21	1	609	22	7	1	2			1		642
Jamaica.....									3									1
Japan.....		2	1						5									3
Jordan.....		4	1						12									5
Korea.....		11					1		10									12
Laos.....	10								1									10
Lebanon.....		1							8									1
Malaya.....	7		1						2									8
Malta.....		2							4									2
Mexico.....		3		1					3									4
Nepal.....		3							1									3
Nicaragua.....					1				1									2
Nigeria.....		2							2									3
Norway.....		2					1		3									3
Nyassaland (Netherlands Citizen).....									1									1
Pakistan.....	179	26	1			1	2		212	9	1							222
Panama.....		2	4						2									2
Philippines.....		5			1		9		15									15
Sarawak.....	1								1									1
Saudi Arabia.....							1		1									1
Singapore.....		2							6									6
South Africa.....	4		1						5									5
Sweden.....		3				1		1	5									2
Switzerland.....		2							2									2
Syria.....		14	5	1					16									6
Taiwan.....		1					1		1									1
Tanganyika.....		6	5						11									6
Thailand.....	1	2	1	2	1		7		22									22
Turkey.....		3	1				2		3									3
United Kingdom.....									3									3
Uruguay.....		4							4									4
Venezuela.....									3									3
Viet Nam.....	54								54									54
Virgin Islands.....		3							3									3
Yugoslavia.....		2							2									2
Grand Total.....	636	258	46	24	9	5	45	2	1,025	31	8	1	2			2		1,069

TABLE 3

Page No. T (IV)

## EXTERNAL AFFAIRS

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NUMBER OF PERSONS TRAINED IN CANADA THROUGH TECHNICAL CO-OPERATION SERVICE FROM 1950 TO 31 MARCH 1957, BY FIELD OF STUDY AND AGENCY FOR WHICH TRAINING WAS ARRANGED

Field of Study	Calendar Years 1950-1956										From 1 January 1957 to Date							
	Co-lombo Plan	United Nations	UNESCO	FAO	ICAO	ILO	ICA	Others	Total	Co-lombo Plan	United Nations	UNESCO	FAO	ICAO	ICO	ICA	Others	Grand Total
Aerial Survey	5								5	2								5
Photogrammetry	6								6									8
									11									13
Agriculture	14		1						15									15
Agromony	2								2									3
Animal Husbandry	5			1					3									6
Biological Control	2								2	1								2
Botany	1			1					2									2
Chemistry	3								3									3
Dairying	1								1									1
Economics	2								2									2
Engineering	47		1						48									48
Farm Mechanics	4			1					5									5
Fertilizer Manufacture		1							1									1
Grain Storage and Distribution	4			1					5									5
Government Agricultural Administration	2			1					3				1					4
Helmminthology	1								1									1
Horticulture	1								1									1
Meat Packing		1							1									1
Mycology	2								2									2
Plant Pathology	3			1					4									4
Soil Science	8			1					9									9
Tobacco Research and Production	2								2									2
Veterinary Science	4	2							6									6
									121									123
Accounting	15	9						1	25	2								27
Aviation					6				6									6
Banking	1						2		3									4
Biochemistry and Enzymology	2								2									2
C/Fwd	137	13	2	7	6		2	1	168	5	1		1					175



TABLE 3—continued  
 NUMBER OF PERSONS TRAINED IN CANADA THROUGH TECHNICAL CO-OPERATION SERVICE FROM 1950 TO 31 MARCH 1957, BY FIELD OF STUDY AND AGENCY FOR WHICH TRAINING WAS ARRANGED—Continued

Field of Study	Calendar Years 1950-1956										From 1 January 1957 to Date						
	Co-lombo Plan	United Nations	UNESCO	FAO	ICAO	ILO	ICA	Others	Total	Co-lombo Plan	United Nations	UNESCO	FAO	ICAO	ILO	Others	Grand Total
B/fwd.....	137	13	2	7	6		2	1	168	5	1		1				175
Business Administration.....	2	2							4								4
Cement Manufacture.....	1	1							2								2
Pre-Cast Concrete Manufacture.....	1								1	3							1
									—								3
Chemical Industry.....	3								3								3
Chemistry.....	5								5								5
Commerce.....	3							1	4								4
Co-Operatives & Marketing.....	25	10	3	5	2	2	2		47					1			48
Economics.....	2		1		2				5								5
Education.....	14		26						40	1		1					42
Educational Psychology.....			2						—	42							3
Engineering—Agricultural (see Agriculture)	19								19								19
Applied.....	2	1	1						4								4
Chemical.....	27	8							35								37
Civil.....	19	6							25	1	1						26
Electrical.....	29	4							33								33
Hydro-Electrical.....	5								5								5
Irrigation.....	25								25	1							26
Mechanical.....	25								25								25
Nuclear.....	29								29								29
Thermal-Electrical.....	3								3								3
Thermo-Dynamics.....	1								—	179							1
																	—183
Fisheries.....	12	1		3			1		17				1				18
Forestry.....	15	2		5			5		27								27
Geology.....	6	4							10								10
C/fwd.....	385	52	35	20	8	2	10	2	514	9	2	1	2			2	530

TABLE 3  
NUMBER OF PERSONS TRAINED IN CANADA THROUGH TECHNICAL CO-OPERATION SERVICE FROM 1950 TO 31 MARCH 1957, BY FIELD OF STUDY AND AGENCY FOR WHICH TRAINING WAS ARRANGED—Continued

Calendar Years 1950-1956										From 1 January 1957 to Date								
Field of Study	Co-lombo Plan	United Nations	UNESCO	FAO	ICAO	ILO	ICA	Others	Total	Co-lombo Plan	United Nations	UNESCO	FAO	ICAO	ILO	ICA	Others	Grand Total
B/Fwd.....	385	52	35	20	8	2	10	2	514	9	2	1	2			2		530
Health Services																		
Anaesthesiology.....	1								1									1
Anatomy.....	1								1									1
Bacteriology.....	2								2									2
Cardiology.....	2								2									2
Dentistry.....	3								3									3
Dermatology.....	3								3									3
Genito-Urinary Surgery.....	1								1									1
Hospital Administration.....	2								2									2
Medicine.....	3								3									3
Microbiology.....	1								1									1
Neo-Natal Pathology.....	2								2									2
Neuro-Pathology.....	1								1									1
Nutrition and Dietetics.....	1			1					1									1
Nursing.....	15								15									15
Obstetrics and Gynaecology.....	18								18									18
Ophthalmology.....	7								7									7
Otolaryngology.....	2								2									2
Pathology.....	2								2									2
Pediatrics.....	3								3									3
Pharmacy.....	2	1							3									3
Pharmacology.....	2								2									2
Physiology.....	3								3									3
Psychiatry.....	3								3									3
Public Health.....	1								1									1
Radiology.....	15	1							16									16
Surgery.....	2								2									2
Tuberculosis.....	7								7									7
	—								—									—
	94								97									98
Housing and Town Planning.....		5							5									5
Immigration and Settlement.....	5						1		6									6
Industrial Development and Management.....	5	9							14									14
Insurance.....		1							1									1
Iron and Steel Industry.....		1							1									1
C/Fwd.....	489	70	35	21	8	2	11	2	638	10	2	1	2			2		655





TABLE 3

NUMBER OF PERSONS TRAINED IN CANADA THROUGH TECHNICAL CO-OPERATION SERVICE FROM 1950 TO 31 MARCH 1957, BY FIELD OF STUDY AND AGENCY FOR WHICH TRAINING WAS ARRANGED—*Concluded*

Field of Study	Calendar Years 1950-1956										From 1 January 1957 to Date							
	Co-lombo Plan	United Nations	UNESCO	FAO	ICAO	ILO	ICA	Others	Total	Co-lombo Plan	United Nations	UNESCO	FAO	ICAO	ILO	ICA	Others	Grand Total
B/Fwd.	532	81	37	21	9	3	17	2	702	11	2	1	2			2		720
Public Administration.....	41	40				1	19		101	2								103
Public Finance .....	5	38					4		47									47
Public Information Services.	2								2									2
Journalism .....	7								7									7
Film Board .....	2	1	5				1		9									9
Radio Broadcasting .....	5	1	2						8	1								9
	16								—	26								— 27
Pulp and Paper Manufacture	7			2			2		11									11
Railways.....	9	21							30	10	3							43
Refrigeration.....	1								1									1
River Survey and Conser- vancy .....	3	1							4									4
Road and/or River Trans- port .....	3	3							6	2								8
Social Welfare .....	3	40	1						44	1	1							46
Statistics.....	13	26	1	1		1	2		44		1							45
Telecommunications.....	3	6							9	4	1							14
Total.....	636	258	46	24	9	5	45	2	1,025	31	8	1	2			2		1,069

# CANADIAN COLOMBO PLAN ASSISTANCE FINANCIAL STATEMENT

## FUNDS MADE AVAILABLE

TABLE No. 1—FUNDS VOTED BY FISCAL YEARS

	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	Total
\$400,000	\$ 25,400,000	\$ 25,400,000	\$ 25,400,000	\$ 25,400,000	\$ 25,400,000	\$ 26,400,000	\$ 34,400,000	\$162,800,000
						Less Funds which lapsed during 1950-51 and 1951-52.....		529,296
						Balance Available.....		\$162,270,704

TABLE No. 2—TOTAL ASSISTANCE EXTENDED UP TO 31 MARCH 1957

	Country	Capital	Technical	Total
Burma.....		\$ 179,563	\$ 116,576	\$ 296,139
Cambodia.....		15,000	51,026	66,026
Ceylon.....		10,473,682	874,969	11,048,631
India.....		79,956,673	980,798	80,937,471
Indonesia.....		435	428,278	428,713
Laos.....		—	32,240	32,240
Malaya.....		201,000	238,446	439,446
North Borneo.....		—	13,387	13,387
Pakistan.....		57,217,260	892,021	58,109,281
Sarawak.....		—	4,418	4,418
Singapore.....		50,000	32,266	82,266
Thailand.....		—	6,921	6,921
Vietnam.....		—	143,811	143,811
Bureau Contributions.....		\$147,793,593	\$ 3,815,157	\$151,608,750
		—	32,231	32,231
		\$147,793,593	\$ 3,847,388	\$151,640,981

## Anticipated Use of Balance\*

India.....	\$ 6,000,000
Pakistan.....	2,000,000
Reserve.....	2,629,723

\$ 10,629,723

\$162,270,704

\*These funds since expended.

Total Assistance Extended.....





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(HOUSE OF COMMONS

First Session—Twenty-third Parliament

1957

Government  
Publications

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STANDING COMMITTEE

ON

# EXTERNAL AFFAIRS

Chairman: H. O. White, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

Main, Supplementary, and Further Supplementary Estimates of  
The Department of External Affairs—1957-58

WEDNESDAY, DECEMBER 11, 1957

## WITNESSES

Messrs. W. D. Matthews, Assistant Under-Secretary of State for External Affairs; H. F. Clark, Director, Finance Division; M. Grant, Director, Supplies and Properties Division; J. A. Irwin, United Nations Division; R. L. Rogers, Far Eastern Division.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1957.

## STANDING COMMITTEE ON EXTERNAL AFFAIRS

*Chairman:* H. O. White, Esq.

and Messrs.

Aitken (Miss)  
Best,  
Breton,  
Cannon,  
Cardin,  
Coldwell,  
Crestohl,  
Fairfield,  
Garland,  
Gauthier  
(Lake St. John),  
Haidasz,

Henderson,  
Herridge,  
Holowach,  
Jones,  
Jung,  
Knowles (Winnipeg  
North Centre),  
Kucherepa,  
Low,  
MacEachen,  
Macnaughton,  
Macquarrie,

Martin (Essex East),  
McCleave,  
McGee,  
Montgomery,  
Patterson,  
Pearson,  
Pratt,  
Rea,  
Smith (Calgary South),  
Stick,  
Stewart (Winnipeg  
North)  
Stuart (Charlotte)—35.

J. E. O'Connor,  
*Clerk of Committee.*



ORDERS OF REFERENCE

WEDNESDAY, December 11th, 1957.

*Ordered.* That the name of Mr. Stewart be substituted for that of Mr. Argue on the said Committee.

Attest.

LEON J. RAYMOND,  
*Clerk of the House.*



# MINUTES OF PROCEEDINGS

WEDNESDAY, December 11, 1957

The Standing Committee on External Affairs met at 3.05 p.m. this day, the Chairman Mr. H. O. White, presided.

*Members present:* Miss Aitken, Messrs. Cannon, Cardin, Fairfield, Her-ridge, Henderson, Jung, Knowles (*Winnipeg North Centre*), Macquarrie, Montgomery, McCleave, McGee, Patterson, Pratt, Stewart (*Winnipeg North*), Stick, and White.—(17)

*In attendance:* Messrs. W. D. Matthews, Assistant Under-Secretary of State for External Affairs; H. F. Clark, Director, Finance Division, M. Grant, Director, Supplies and Properties Division, A. M. Robertson, Supplies and Properties Division, J. A. Irwin, United Nations Division, R. L. Rogers, Far Eastern Division, and W. E. Bauer, Far Eastern Division.

The Chairman called the Committee to order and announced that Mr. Matthews would proceed with the answering of certain questions asked at previous meetings of the Committee.

Mr. Matthews filed with the Committee the following documents:

1. United Nations Economic and Social Council 24th Session Agenda Item 6
2. Expanded program of Technical Assistance Contributions pledged by governments from 1952-1957
3. Memorandum concerning Canadian Economic Assistance to Less Developed Countries 1954-1956

By leave of the Committee, it was ordered that the document entitled "Expanded Program of Technical Assistance Contributions pledged by governments from 1952-1957" be printed as an appendix to the record of today's proceedings. (*See Appendix A*)

Item 105—Assessment in International Organizations—was called and adopted.

Item 106—U.N. Expanded Program for Technical Assistance—was called and adopted.

Item 107—U.N. Children's Fund—was called and adopted.

Item 108—NATO Staff Assignments—was called and, subject to a reduction of \$5,000 recommended to the Committee by the Secretary of State for External Affairs, adopted.

Item 109—NATO Headquarters Bldg.—was called and adopted.

Item 110—ICAO Rental Assistance—was called and adopted.

Item 111—ICAO Income Tax Assistance—was called and adopted.

Item 112—I.J.C.—Salaries and Expenses—was called and allowed to stand.



Item 113—I.J.C.—Studies and Surveys—was called and allowed to stand.

Item 115—Assessment for Membership in I.C.E.M.—was called and adopted.

Item 116—Grant to U.N. Refugee Fund—was called and adopted.

Item 117—Grant to UNRWA Near East—was called and adopted.

Item 118—International Commissions Indo-China—was called and adopted.

Item 617—Canadian participation in the work of the European Productivity Agency of the Organization for European Economic Co-operation—of the Supplementary Estimates was called and adopted.

Item 778—To provide for an additional advance to the Working Capital Fund of the United Nations Educational, Scientific and Cultural Organization in an amount of \$4,800 U.S., notwithstanding that payment may exceed or fall short of the equivalent in Canadian dollars, estimated as of October, 1957—of the Further Supplementary Estimates (2) was called and adopted.

Item 97—Representation Abroad—Capital—was called and, subject to a reduction of \$356,500 recommended to the Committee by the Secretary of State for External Affairs, adopted.

Item 103—Grant to Canadian Atlantic Co-ordination Committee—was called and adopted.

The Committee adjourned at 5.40 p.m. to meet again at 3.00 p.m. Thursday, December 12, 1957.

J. E. O'Connor,  
*Clerk of the Committee.*

## EVIDENCE

WEDNESDAY, 11th December, 1957.  
3.00 p.m.

The CHAIRMAN: Today, gentlemen, we will first take up the answers to a few questions asked yesterday and then we will continue on with item 105.

Mr. W. D. Matthews, Assistant Under Secretary of State for External Affairs, recalled:

The WITNESS: Mr. Chairman, first of all I should like to deal with some unanswered questions concerning Canadian assistance programs. I would like, first of all, to hand over to you a list of the amounts pledged for the expanded program on technical assistance of each country since the program began in 1952, up to and including 1957. Attached to those lists there is an annex which shows the amounts of the contributions that were pledged that were still outstanding as of March 31, 1957. I will hand these over to the clerk of the committee and he might be able to distribute copies to any member who would like one. There will be enough for the number of members who are here.

The committee also asked for a report on the financing and economic development that was prepared by the Economic and Social Council. This report covers assistance given by countries under the United Nations programs, and also bilateral programs between any two countries. I am afraid that the department only has four copies of this: however, we can get more from New York, if more members want them. If I give these to the clerk of the committee he could distribute these and let me know how many more we should ask for from New York.

I thought the members of the committee might also be interested in a memorandum that the Canadian authorities sent to the Economic and Social Council in response to a request that was circulated to all members for information on assistance programs and which was used to compile the economic and social council document that I have tabled. This is a memo on Canadian aid programs, both bilateral and through the United Nations. I only have a limited number of copies but I can have more run off if this is not enough to meet the requests of the members who want them. There is one bit of information that was asked for in this respect that we have not yet been able to get. That was information as to the amount of non-convertible contributions to the expanded technical assistance program that could not be used because it was not convertible into other currencies. We have asked for that information from New York, but I am told it may take some time before we can have this compiled for us by the United Nations secretariat. That, I think, covers all the points on that particular subject. If there are any other outstanding questions, I could make a note of them and get the material for another day.

The CHAIRMAN: Members of the committee I was just wondering if it would be the wish of the committee to include as an appendix to our report this first table that was given to us by Mr. Matthews, showing the contributions by governments of other nations as well as Canada. Is that agreed?

Agreed to.

The WITNESS: I was asked a question that I could not answer on vote 99, the vote for relief and repatriation of distressed Canadians. The number of Canadian citizens who were given assistance in the last fiscal year, 1956-1957, was 149. Of these 72 have reimbursed the amount of their advances in full and there are still 77 accounts outstanding, some of which have been repaid in part. The total amount advanced in last year was \$15,261, and of that, \$10,600 has been reimbursed, leaving an amount outstanding of \$4,658. That, I might say, was an exceptionally good year for recovery. Usually the percentage is not as high. In the present year the total number of distressed Canadians given assistance has been 94, of whom 30 have repaid us in full and 64 accounts are still outstanding. This year there were some other special cases that I have not included in the total, concerning residents of Canada who were stuck in Paris, as members may remember. In this case the Danube Dukania Society of Montreal had arranged a flight to Europe and back, and they fell down on their arrangements for the return passage. These people were stuck in Paris with no way back. All of those who could arrange for their own financing did so, but in addition to the numbers I have mentioned, we did, last summer, help 40 of these people, 24 of whom have repaid in full and there are 16 accounts outstanding.

*By Mr. Montgomery:*

Q. May I ask a question: the amount is \$15,000 asked for. In other words, you just budget for what you think your losses might be for the year?—A. No, \$15,000 is the most we can have outstanding at any time but as we get recoveries we can use that money again. It is a revolving fund, and it has been at this same amount for a good many years and we have never run into difficulty.

Q. In other words, you really have had a \$15,000 loss?—A. No; I think the largest loss was one back in the year 1951-1952 and at that time we got very close to the line. We lost \$14,040 and in other years, for instance 1954-55 we were under a \$2,000 loss—it varies.

*By Mr. Herridge:*

Q. This group went on this excursion, and, no doubt, had money enough to go on a holiday. Then they had to seek assistance because of this extra expense. I presume the transportation company would reimburse these people when they got home for the fare being paid in advance?—A. As I remember it, the person who collected the funds from those people to pay for the transportation absconded.

*By Mr. McCleave:*

Q. You mentioned the 16 outstanding accounts. Are all those accounts outstanding or do they refuse to pay?—A. They are ones who are paying in part or who have not yet been able to pay. They have all given an undertaking to repay and, I am sure by a year from now, a great number will be cleared off the books.

Q. All acknowledge the debt?—A. Yes; before the money is advanced, we always get that.

*By Mr. Herridge:*

Q. Apparently some people's word is not good in some cases?—A. Or the earning power is not good.

*By Mr. McGee:*

Q. Has the question been asked as to the method of collecting these outstanding sums?—A. I will have to ask Mr. Clark that question.



Mr. H. F. Clark (Finance Division, Department of External Affairs.)

The people are billed for the amount of money they owe and, failing collection in the normal way, the collection procedure is put in the hands of the Department of Justice, who may take the necessary action as they see fit.

Miss AITKEN: How long is given to them, a year or so?

Mr. CLARK: It depends on the circumstances of the individual. If he is a person of humble circumstances and has not a very good earning power, naturally the request for repayment is not pressed too heavily, but if as a result of our inquiry we find the person is substantially situated and is equipped to pay reasonably quickly, then we hand it over to the Department of Justice.

Mr. McCLEAVE: About these people who have not paid in the past. Is there a point where you write off their obligations?

Mr. CLARK: We cannot write off the obligations. Being a debt due to the crown it has to fulfil the circumstances of the Financial Administration Act. A debt which is outstanding in excess of five years is eventually written off, if it is quite definite he has no resources to repay.

Q. Have you any idea as to the total number outstanding for the last five years?—A. I can give you the amounts outstanding for the last five fiscal years, starting with the year 1951-1952, which I mentioned as being \$14,040; for the year 1952-1953, \$8,377; 1953, \$9,679; 1954, \$1,192; 1955, \$8,323; 1956-1957, \$4,658.

*By Mr. Herridge:*

Q. Mr. Chairman, surely these people do not go travelling around the world at Canada's expense? I can understand that there are some exceptional cases. There seems to be quite a high percentage of failure to pay on the part of persons who have gone abroad on trips, unless there are some circumstances involved which we do not appreciate.—A. There is a surprising number of young lads who will start out on a trip who really cannot afford it. There are also some elderly people who start out when they just do not have the means of getting home. In a few of these cases it may involve persons who have lived abroad for some years who have gone broke and the country where they live will not support them and they have to be brought back to Canada.

Q. Up to what period would you give them assistance?—A. If they remain a Canadian they are still entitled to repatriation to Canada.

*By Mr. Stick:*

Q. Does the statute of limitations on collection of debts apply?—A. I do not know.

Mr. CLARK: No. The percentage of uncollected debts runs to about 12 or 15 per cent.

*By Mr. Knowles (Winnipeg North Centre):*

Q. There is a question I would like to ask in respect of the tables which Mr. Matthews gave us earlier. Is this the point at which to ask these questions?

The CHAIRMAN: Yes.

*By Mr. Knowles (Winnipeg North Centre):*

Q. I was not here yesterday afternoon and I have not looked over all these tables and perhaps my questions may have been answered. Has there at any point been given to us a reasonably compact table showing the total contributions, by items, by Canada to the various aid programs? As I look through some of these tables I find that they are quite detailed. I would be interested

to see what our contributions are with relation to our gross national product and that sort of thing. I would also be interested in seeing the same picture on a world scale.—A. We have not submitted a compact table. I believe all the figures are in the tables which we have submitted. However, we could prepare a compact table of the Canadian programs. To do it for all countries would be a pretty heavy task.

Q. That perhaps would be too much to ask. Would it be too much to ask for a table showing the Canadian contributions to aid programs, and in another table show the total amount contributed by all countries to those aid programs, or the total budgeted without breaking down the contributions of the other countries?—A. We could do that for the multilateral programs, but it would be pretty difficult to do it for the bilateral programs of other countries. I think that would be quite a lengthy procedure and quite a problem.

Q. If you are doing that I think that the tables should be put in a form so that they can be looked at together. It should be multilateral versus multilateral and not everything versus multilateral.—A. Yes. We can have that prepared for a subsequent meeting.

The CHAIRMAN: We will now proceed to item 105.

Mr. PATTERSON: I do not believe items 103 and 104 were carried.

Mr. STICK: 103 stands, but was carried.

Mr. PATTERSON: My colleague who is not here had quite a number of questions to ask on that item.

The CHAIRMAN: Item 103 stands. Item 97 also stands, and Mr. Grant is here today and we will be taking up that item.

The WITNESS: There was an unanswered question on item 98, and although that item has been carried I would like to complete the record in that respect. Item 98 is the item to provide for official hospitality. The tables that were originally submitted to the members only cover the main estimates as you will notice according to the heading. In 1956-1957 for the hospitality fund, we found that a supplementary estimate was needed and a further supplementary estimate of \$20,000. Therefore rather than an increase of \$10,000 we are asking for a decrease of \$10,000. The total fund last year in the main and the supplementary estimates was \$50,000 and of that \$46,679 was spent.

*By Mr. Knowles (Winnipeg North Centre):*

Q. You have not asked for a supplementary yet in this fiscal year?—A. No. This is a completely uncontrollable expenditure. We do not know what important visitors there will be. We hope this year to get by with \$40,000 but it is possible we may find in the final supplementaries in March that we will have to ask for some more money.

The CHAIRMAN: We will not, at this time, take up items 97 and 103. We will continue on to item 105 and then revert to the others at a later time.

Item 105. To provide for the Canadian Government's Assessment for Membership in International (including Commonwealth) Organizations, as detailed in the Estimates, including authority to pay the amounts specified in currencies of the countries indicated notwithstanding that the payments may exceed or fall short of the equivalent in Canadian dollars, estimated as of December, 1956, which is, \$3,083,342.

*By Mr. Stick:*

Q. Mr. Chairman, is this decrease of \$54,718 the result of the reassessment of the United Nations? I believe there was a decrease there.—A. The figures we are able to include in the estimates for these contributions are really very rough estimates. We have to prepare our estimates before the budgets of the individual organizations are made up and before the actual percentage of the Canadian contributions to these are made up. Therefore these are the best estimates that we can make. For instance, about a month ago we made our estimate as to the amount we will have to contribute in 1959 to these organizations. We can only assume that the budgets of these organizations will continue

at about the present rate and that our percentage assessment will remain about the same. Therefore the final outcome is bound to vary a good deal from these figures.

I have here a table that I could submit showing the actual payments made to the United Nations organization and the various subsidiary bodies in 1957, and the closest assessment we can make at the present time as to what payments will be required in 1958. But these amounts are really set where it is an assessment by the organization and the only place where we can have any effect on that amount, is when the organization is discussing its own budget. Once that budget is set we are committed to pay our share.

Q. I understand our assessment to the United Nations was reduced a year or so ago. Do you know what that amount was?—A. Yes, for the current year, it is 3.15 per cent, for 1958, it is 3.09 per cent and two years ago, it was higher, 3.63 per cent. The reduction has taken place primarily because there have been so many new members added to the United Nations in recent years.

Q. I think the Russian assessment was increased slightly too?—A. I do not think the Russian assessment has been increased. There will be a major revision of all the assessments for the year 1959, but I think Russia has remained approximately the same. It has probably come down slightly but that would be because of the new members.

Q. They were trying to get it up a few years ago. I do not know whether they succeeded or not.—A. I know there is a great deal of feeling among many members that the national income on which their assessment is based has gone up markedly since these figures were set some three years ago.

*By Mr. Cannon:*

Q. I was interested in what the witness was saying concerning the way the estimates are prepared. They have to be prepared in advance and only an estimate can be made. But my question has to do with the comparative figures for 1956-57. For instance, on item 105, we have \$3,083,342 for 1957-58 which is compared to \$3,138,060 for 1956-57. My question is, is the \$3,138,060 for 1956-57 the actual expenditure or just the estimate that was made a long time before that was necessarily inaccurate.—A. That is the estimate that was made some time before and that is why I was suggesting I might table the amount actually paid in 1956-57 and our current estimate of the amount that will be paid in 1958.

Q. That will be an excellent idea. That will give us something more definite.

The CHAIRMAN: This is quite a short table and with the agreement of the committee we will have it in the report.

VOTE 105.—TO PROVIDE FOR THE CANADIAN GOVERNMENTS ASSESSMENT FOR MEMBERSHIP IN INTERNATIONAL (INCLUDING COMMONWEALTH) ORGANIZATIONS.

	Payments made for 1957	Assessments for 1958
United Nations Organization.....	\$1,082,115 U.S.	1,676,823 U.S.
Food and Agriculture Organization.....	305,182 U.S.	368,800 U.S.
International Labour Organization.....	256,358 U.S.	268,203 U.S.
United Nations Educational, Scientific & Cultural Organization...	311,363 U.S.	314,194 U.S.
International Civil Aviation Organization.....	129,187 Cdn.	125,492 Cdn.
World Health Organization.....	382,940 U.S.	425,060 U.S.
Commonwealth Economic Committee.....	* 16,840 Cdn.	28,435 Cdn.
Commonwealth Shipping Committee.....	* 529 Cdn.	895 Cdn.
Administration of the General Agreement on Tariffs and Trade....	25,839 U.S.	25,839 U.S.
North Atlantic Treaty Organization (Cost of Civil Administration).	*112,987 Cdn.	237,611 Cdn.

\* These amounts represent  $\frac{7}{12}$  payment of total Assessments.



*By Mr. Patterson:*

Q. Are the appropriations for the expenses of this parliamentary delegation to the NATO parliamentary association and the commonwealth parliamentary association meetings included in the estimates of External Affairs?—A. No, that was another question I forgot to mention. I checked on that but they are not paid by the Department of External Affairs.

The CHAIRMAN: Any further questions?

*By Mr. Montgomery:*

Q. The estimates here show a decrease of \$54,718. Actually is the decrease that much more, or is it less?—A. No. I think you will find it is an increase because the budgets of these organizations have been going up as have been most budgets.

Q. Actually increased?—A. Yes.

Item agreed to.

Item 106. To provide for the Canadian Government's Contribution to the United Nations Expanded Program for Technical Assistance to Under-Developed Countries in an amount of \$2,000,000 U.S., notwithstanding that payment may exceed or fall short of the equivalent in Canadian dollars, estimated as of December, 1956, which is,—\$1,927,500

The WITNESS: I might say Mr. Chairman, this is the expanded program for technical assistance to underdeveloped countries. The reason why it is an odd figure is that the \$2 million we have been discussing are United States dollars and this is just using the rate of exchange prevailing at the time the estimates were prepared.

*By Mr. Knowles (Winnipeg North Centre):*

Q. What was the United States dollar equivalent last year? Was it not \$1.8 million?—A. \$1,800,000, yes.

Q. Now has this contribution of \$2 million been decided upon or is that the offer that the Hon. Mrs. Fairclough made at New York the other day?—A. She was a year ahead of us. We are discussing the contribution for the current fiscal year. She was saying what the government would be asking parliament for an estimate for the coming fiscal year.

Q. That would be no increase?—A. No increase for the coming fiscal year over the present fiscal year. The present fiscal year is \$200,000 more than it was in the past fiscal year.

Q. In other words, Mrs. Fairclough's big speech the other day was the same as this. That is no change?—A. Yes, the actual contribution that she said the government would seek from parliament is the same as they are seeking this year.

Q. Previously it was a contribution of \$1.8 million and we are making a contribution of \$2 million, United States, this year. I realize this is a policy matter, Mr. Matthews and I should not press you on it. What concerns me, are we expected to accept this as the substitute, for a feeling that some of us have, that we should be supporting SUNFED which is much larger than this?—A. You will find Mrs. Fairclough dealt with that separately. This is for the existing expanded program. When Mrs. Fairclough was discussing the American proposal for special assistance over and above the existing program, she said that if some program is acceptable to the greater number of countries was found to be possible, then the government would consider what they could do. So this is a contribution on the basis of the programs that have been operating in the past and Mrs. Fairclough announced that if a further program was accepted, the government would take a sympathetic look at it.



Q. In other words, it might be another \$2 million on top of this \$2 million?  
—A. Yes, it might be, but it would have to be dealt with in the supplementary estimates.

Q. That is a little better.

*By Mr. Patterson:*

Q. I notice that there is an increase over the \$37,000 in the appropriation for UNESCO. I have an article, which I did not bring with me, that I read in a publication the other day to the effect that contributions from UNESCO were being used in certain sections to teach Arab children that eventually Israel would be wiped off the map. It also said that contributions had been used to teach children that America was a war mongering nation, and so on. I was just wondering if Mr. Matthews would comment on that. I might say that this question was asked of the head of the United States UNESCO group, which works in conjunction with the international organization, and he said there was absolutely no control, or direction over the moneys contributed to UNESCO. Even though he was very disturbed about that situation, there was nothing that could be done.

Would there be such a situation arise where contributions from this fund would be used in a communist dominated school where communism is taught to the children?—A. I would be very surprised if it is. We would have to get the specific references and try to follow them down. I would be very surprised if there was any truth in either of those accusations. After all, this is an international organization which is controlled by its own secretariat, on which all of the countries, or practically all the countries, that make up the United Nations sit.

Q. The inference was, I think, that in certain Arab countries, which were getting contributions from this fund, there was, in their curriculum, anti-Jewish or anti-Israel instruction given.—A. I suppose it is possible. UNESCO helps to establish schools. Because they contribute towards the establishing of schools they cannot control the curriculum. There may be some things said in those schools with which we do not agree.

Q. It was causing some consternation in the circles in which it was raised. That is all, Mr. Chairman.

*By Mr. Holowach:*

Q. Is there any process of control with respect to the literature which is published under UNESCO so that the information supplied is strictly objective?  
—A. The organization itself would control it. There is no way that an individual country, who contributes towards the UNESCO fund, can control it or have a veto on everything it does. The organization itself would certainly have control over the publications which it finances.

Q. Canada is represented on that committee?—A. Yes, we are represented, but it would not give us, as an individual contributor amongst some 70 or 80 contributors, a veto.

Q. Have we ever received information from our representative that there is a certain slant given to some of this literature?—A. I have not heard of it. I might ask Mr. Irwin of our United Nations division.

Mr. J. A. IRWIN (*United Nations Division, Department of External Affairs*): To my knowledge, sir, we have had no such suggestions or information from our representative on that committee. Membership on the executive committee has always enabled us to have a voice in the policy formation and in the executive guidance of the organization. To that extent we would be in a position to make our own opinion felt.

Mr. MONTGOMERY: Would all the literature that goes out from UNESCO come under your observation, or is that impossible? I am just looking for information. Could it happen that literature goes out that the Canadian delegation would not see, or would not have a chance to peruse, or would not know anything about?

Mr. IRWIN: That would most certainly be true. It would be quite impossible for our delegation to be at the periodical meetings of that executive board, and attempt to review all the literature. A good deal of it would not come into the hands of the department when it is intended for use in other parts of the world. The organization does carry on extensive education programs, of course, in many parts of the world. It would be a monumental task, I am sure, to attempt to review all the literature, quite apart from the language problem.

*By Mr. Montgomery:*

Q. In terms of figures, to what extent has Canada's contribution been in the last year or two?—A. The total amount of our contribution?

Q. Yes.—A. I have the amounts actually paid out in fiscal years, although what year of the organization the amounts represent I am not sure. For 1953-54, \$295,210; 1954-55, \$325,236; 1955-56, \$258,562; 1956-57—this was a forecast, I have not got the final figure—\$286,464.

Q. That would be for the year ending December 31 of this year?—A. Yes.

*By Mr. Knowles (Winnipeg North Centre):*

Q. UNESCO does other things other than disseminate literature, of course?—A. Oh, Yes.

Item agreed to.

Item 107. Contribution to the United Nations Children's Fund, \$650,000.

*By Mr. Jung:*

Q. Mr. Matthews, just exactly what does this fund cover?—A. The children's fund?

Q. Yes.—A. It covers a certain amount of aid in the line of food. It is turning, I understand, more and more to a health program for children. Here again I would like to call on Mr. Irwin if you want details on it, because he works with the division that deals directly with this program.

Q. I am wondering if there is any overlap between this and an agency like the world health organization?—A. I think all of these United Nations' bodies do their best to prevent overlapping. Certainly both are in health fields, I think.

Mr. IRWIN: Mr. Chariman, that is correct. The world health organization has the primary responsibility in the field of health. It is true that the United Nations children's fund does operate particularly in the field of maternal care. However, in world health there are inter-agency arrangements for coordination. Quite apart from that, the Economic and Social Council has an overriding responsibility for insuring that overlapping, and therefore waste, does not occur. There is a coordinating committee operating within the framework of the Economic and Social Council which is supposed to look after that problem.

Mr. JUNG: Would this fund cover any refugees who are children?

Mr. IRWIN: UNICEF does operate within the context of the United Nations program for Arab refugees. When there are specific children's problems arising within groups of refugees, UNICEF would certainly have an interest.

Mr. JUNG: I can see where there is a considerable interlocking of agencies, and the social council coordinating committee would have quite a job on its hands.

Mr. McCLEAVE: Has the United Nations sufficient money to carry out the purposes of this fund? I notice a note under item 106 making some modest increase. Would there not be good and sufficient reason to increase item No. 107?

Mr. IRWIN: In our experience no specialized agency has ever been willing to admit that it has enough money to do what it is responsible for doing, and that is entirely understandable because when you have groups of qualified and competent experts operating within their particular field, they can see a world of good works which must be done. There is no end to it. So in the last analysis it amounts to tailoring the work programs to what amounts to a reasonable expectancy of the funds. We always get pressure to increase them for good and sincere reasons. They see good work to be done. On the other hand the governments of course are faced with a multiplicity of demands, and there is about the whole thing a contra pressure to keep them within bounds which must be reasonable.

Mr. McCLEAVE: Is there a feeling in what they are doing for these children that they are winning the fight or losing it?

Mr. IRWIN: UNICEF in particular has been able to present very encouraging and very satisfactory reports on the work done. When it was set up initially the organization was intended to deal particularly with the children affected by the ravages of the last war. But by 1950 or 1951, I believe it was, they were able to expand their terms of reference to include the welfare of children generally everywhere; and in 1953 the assembly gave the fund greater confidence and put it on what amounted to a permanent basis.

Mr. STEWART (Winnipeg North): The humanitarian aspect of UNICEF is not only dependent on government funds but also upon the help of individuals throughout the country. Many people in Canada do help UNICEF in one way or another. I recall that last year I raised the question before the then Secretary of State for External Affairs as to what the department was doing in order to make UNICEF more popularly known throughout the country.

At Hallowe'en time a number of children have formed the admirable habit of going out and raising money, not for themselves but for UNICEF. I suggested it to the minister and he accepted the suggestion and said that he would write to the ministers of education of each of the provinces asking them to encourage it by circularizing their schools. Now may we be told if the department has any knowledge whatsoever of the success of this endeavour?

Mr. IRWIN: I can say, Mr. Chairman, that up to 1957—sometime in 1957 I think it was—the contributions which have been made by the aroused interest of Canadians have totalled \$1,500,000 which would appear to be a substantial figure, and I believe the social committee for UNICEF, the commission, feel that the Hallowe'en program, while it is a very recent innovation—that it would not be fully reflected in that figure which I mentioned of \$1,500,000.

Mr. MCGEE: To what figure does it compare in the previous year?

Mr. IRWIN: I am sorry. That was an accumulated figure; it was not an annual figure.

Mr. MCGEE: In the community of Don Mills the sum of \$1,000 was collected by the youngsters in that small area, and there was a considerable increase of interest.

*By Mr. Stewart (Winnipeg North):*

Q. We are dealing with amounts which we would like to see. Does the department have any intention of trying to foster this idea of getting the children in Canada to contribute on behalf of other children in the world who



are much less fortunate than they are? Are we doing any publicity work whatsoever in this aspect of the matter?—A. I think that this is an activity which has been left to private organizations. The government has not directly taken part in it. The United Nations Association for one has played an active role in publicizing UNICEF.

Q. So the department is not doing anything in this respect?—A. No. We really have not got the facilities for publicity in Canada.

The CHAIRMAN: I think the members of the committee will have noticed on the bulletin board near the post office the Christmas cards that are sold, the proceeds for which are used for that purpose. They were offered for sale at the United Nations while I was there and as Mr. Stewart has mentioned, I think it is probably a case that could be expanded by private enterprise through the schools and other organizations.

Mr. STEWART (*Winnipeg North*): With some appropriate encouragement!

Mr. JUNG: I am entirely in agreement with Mr. Stewart's observation, and I think this is something that might be better handled by the United Nations Association in Canada. I think that when we make a contribution we might also give them some directions or make a distinct hint to them that possibly we would like to see this done, and then let them take it from there without treading on anybody's toes; in short, simply by letting our views become known.

*By Mr. Montgomery:*

Q. This may be out of order, but it is for information. There is an organization called CARE which we hear a great deal about. Does that go into a fund? Is that a different organization?—A. It is a different organization, a completely private organization not associated with United Nations,—a very worthy organization—but it is not associated with United Nations or with the Children's Fund.

Q. As Mr. Jung said, might there be overlapping of these things? You think there is not?—A. That is a completely voluntary organization so I do not suppose it co-ordinates its activities with others.

Mr. MACQUARRIE: I would like to ask a further question on the UNICEF program. Could we say at the present time that there is any area specialization so far as the program of the UNICEF is concerned. I remember hearing of the condition in the Middle East. Is there any pattern for information for ourselves and the public?

Mr. IRWIN: There is no pattern of area specialization, Mr. Chairman. The program is, of course, devoted mainly or developed mainly in the so-called under-developed areas but in a very long list of countries and territories in which UNICEF acts, you will find areas such as Southern Rhodesia and Fiji, which I suppose fall within the broad definition of under-developed but which one normally thinks of as being pretty well taken care of. It is a very broad program and it is developed over a very broad geographical area but mainly of course the so-called under-developed area.

The CHAIRMAN: Any other questions?

*By Mr. Knowles:*

Has there ever been anything done in Canada along the lines of certain projects that I know have taken place in the United States whereby abandoned children in some of the war-ravaged countries are brought to Canada and adopted by Canadian families? I confess that I know a little bit about projects like this having been carried out in the United States. It sounds a bit personal, but I have a brother and his wife living in California who like many other people, adopted a Korean abandoned child. He was born Kim II, but his name



is now Kim Knowles, a nephew of mine, and a fine lad he is. I know quite a few have been brought over that way, plane loads of them, sponsored by religious organizations with humanitarian instincts. As I understand it, arrangements were made in these instances for the children to be adopted in Korea before they left so that they were citizens of the United States, children of their adopted American parents, before they came over. It is only a drop in the bucket but it does help to relieve human suffering. That is the basis of my question, whether anything like that has been considered in Canada?—A. I have not heard of anything like that being done, Mr. Knowles, and I think it is safe to say it has not been under any governmental sponsorship that any such scheme has taken place. Whether there have been any individual cases in Canada or not, I am afraid I cannot answer.

Q. I take it that the instances in the United States were sponsored by religious organizations but of course they had to get government OK on it and they succeeded in that.

The CHAIRMAN: I understand there were a limited number, through organizations, brought in from Europe just after the second world war into Canada, so I am informed—a limited number.

*By Mr. Knowles:*

Q. What about children from other parts of the world?—A. Mr. Irwin mentioned to me that in 1948-49 there was a group of Polish children brought in that he had heard about. That was not government sponsored either; it was private.

Item agreed to.

North Atlantic Treaty Organization—

Item 108. To provide, subject to the approval of the Governor in Council and notwithstanding the Civil Service Act, for special administrative expenses, including payment of remuneration, in connection with the assignment by the Canadian Government of Canadians to the international staff of the North Atlantic Treaty Organization (part recoverable from the North Atlantic Treaty Organization), \$49,338.

*By Mr. Herridge:*

Q. What do you call staff assignments?—A. In addition to the military personnel in NATO, at the headquarters of NATO in Paris they call on member countries to provide a certain number of civilian staff for the organization. The contributing governments are reimbursed at a NATO scale which is quite a low scale of remuneration. The difference has to be carried by the governments and so far as the Canadian civilians are concerned, that is carried in the External Affairs estimates and covered by this item.

Q. To what length does that go?—A. The senior one is Mr. Starnes who had been consul at our embassy in Bonn before appointment to NATO.

*By Mr. Stewart (Winnipeg North):*

Q. Is Mr. Starnes on the NATO staff or still in the Canadian services?—A. He is seconded to NATO. We pay him his salary and allowances and recover a certain amount from NATO but not the full amount.

Q. He can always be recalled by cabinet for a further post?—A. Yes. When his tour of duty is over he can come back and take a normal diplomatic post.

Mr. PATTERSON: There is an increase of almost \$14,000. Would that be additional staff?

The CHAIRMAN: Before Mr. Matthews answers that question probably I should have mentioned that by recommendation of the minister this item will be reduced by \$5,000.

*By Mr. Stick:*

Q. Why?—A. Because the number of Canadians has been slightly reduced from what we anticipated a year ago.

*By Mr. Patterson:*

Q. Would the increase be because of increased personnel?—A. No, the increase is largely the result of more senior personnel receiving higher salaries and allowances than had been there in the previous year.

Item agreed to (subject to the \$5,000 reduction).

*By Mr. McCleave:*

Q. I wonder if Mr. Matthews could tell us how they are progressing with the NATO headquarters building?—A. I believe that some time during 1958 they expect to move into that building, so that the construction is getting along fairly well. Mr. Grant says it could be early 1959 but some time during the coming fiscal year they hope to be moving into that building.

Q. Regarding the facilities that are provided there, I understand there was provision made for delegations' accommodation. That would be for the permanent delegations there, would it?—A. Yes, the one headed by Mr. Wilgress. They will move their office into this building when it is completed.

*By Mr. Jung:*

Q. Does this permanent headquarters also house the military headquarters?—A. Yes, and the delegations.

Q. So there is actually then no dispersion of your headquarters in the event of war?—A. No.

Q. So one bomb can wipe it out entirely!

*By Mr. Cannon:*

Q. Mr. Matthews is it expected this NATO building will be finished in time to be on use for the celebration of the tenth anniversary of NATO in 1959?—A. It probably will be, I should think.

Q. It is near Port Maillot?—A. Yes, I am told that is so.

Mr. McCleave: The same thing could happen to the House of Commons, of course.

Mr. JUNG: The House of Commons has already been built but this has not been.

Mr. CANNON: Maybe we will have a new House of Commons for the one hundredth anniversary.

The CHAIRMAN: I would like to say to the members of the committee that Mr. Cannon was one of our parliamentary representatives who went to NATO. Would you say a word to the committee?

Mr. CANNON: I was included in the delegation of Canadians that went this fall to the NATO parliamentary conference. We left on the 8th of November and came back on the 20th. It was very interesting. The NATO parliamentary conference is increasing in importance from year to year. One of the examples that you could give of that, I think, is that the delegations sent by the different nations are getting to be more and more numerous and with better representations.

Mr. HERRIDGE: Does that apply to Canada—better representation?

Mr. CANNON: We were not anymore numerous. As to the quality of the delegation, I would not like to commit myself on that. I think the quality of our delegation was as good as the quality of the delegation of any other country there. The United States sent a considerable delegation. They sent

two planes, one with the Members of the House of Representatives and another with the Members of the Senate and their staffs, and there were 50 people in all. They all took an active part. The Canadians had the pleasure of meeting all these people and, amongst others, we met Senator Kefauver, and he was taking an active interest in the NATO Parliamentary Organization.

Mr. HERRIDGE: Was he there in other years?

Mr. STICK: He was one of the founders of NATO.

Mr. CANNON: It is the first time I have seen him there. He was there this year and he was elected chairman of the political committee.

Now at the time we were there we had a very regrettable incident happen regarding the supplying of arms to Tunisia by the United States and Great Britain and there was a great difference of opinion on that. Most of the people who expressed an opinion seemed to think it was a regrettable thing. The United States delegation, I might say, was split right down the middle. The Democrats were against it and the Republicans, of course, were supporting the administration and were in favour of it and they went so far as to give a different statement to the newspapers. There was a statement given to the newspapers at a press conference signed by all the Democratic members and another statement given at another press conference the same day, signed by the Republican members. I thought this was rather regrettable because it showed the difference of opinion that exists in the United States. The Canadian delegation may have been divided but they kept their opinions to themselves, and did not make any statement to the newspapers.

Mr. STEWART (*Winnipeg North*): I hope the Department of External Affairs will take note as to how the Americans travel.

The CHAIRMAN: Mr. Montgomery was also on that delegation. Would you like to add a word or two?

Mr. MONTGOMERY: I think Mr. Cannon has covered it well. There is one thing: the morning that the French delegation took their action and spoke quite viciously, Mr. Cannon got up and spoke for the Canadian delegation and tried to smooth the waters, and I do not know of anyone who could do it better, because he could speak their own language but unfortunately, they were quite worked up.

I could add this. I think it is a very important conference for parliamentarians who have the privilege of going because it is very educational. I think we can see that NATO is probably the best way to carry out these obligations. I mean the changing conditions in the world means that NATO must expand. I think we must take up other than military problems. It is an organization that Members of Parliament must become more and more familiar with as we go along.

Mr. STEWART (*Winnipeg North*): If I might add something there: I think it should be noted that the impetus for this whole concept of the Parliamentary Association was a Canadian. The man who was primarily responsible for it, and indeed deserves most of the credit for it, was Senator Wishart Robertson, who started it himself.

The CHAIRMAN: Before these delegates get into the night life of Paris, I think we should go on to item 109.

Mr. STICK: We had 109.

*The Chairman*: Yes, I am sorry. Item 110.

Item 109 agreed to.

International Civil Aviation Organization—

Item 110. To provide the International Civil Aviation Organization with office accommodation at less than commercial rates, \$200,165.



*By Mr. Cardin:*

Q. In this item it refers to rental assistance. Is it not customary for the host country of the headquarters of the specialized agency to bear the whole administrative cost of the specialized agency?—A. No. I think it varies considerably from specialized agency to specialized agency. There are different agreements in each case. In this case, the building in which ICAO is located is owned by the Canadian National Railways and it was felt that the Canadian government should be responsible for the portion of the rent represented by interest on the investment. The Canadian National Railways wants its full rent but we in turn reimburse the organization for the amount represented by the interest on the capital investment. This amount has been paid for a good many years now.

*By Mr. Pratt:*

Q. Does that amount represent a profit.—A. It is the interest on the capital investment.

*By Mr. Jung:*

Q. Where is the building located?—A. In Montreal.

*By Mr. Cardin:*

Q. Has there been a question as to whether ICAO should transfer its headquarters from Montreal to South America?—A. I believe, as a result of the various arrangements which have been made, that seems to be a dormant issue now. Mr. Irwin, who was for a good many years our representative in Montreal on ICAO, could answer any detailed questions.

Mr. CARDIN: I do not have any detailed questions, but I wondered if the question of the transfer is still popping up?

Mr. IRWIN: Perhaps it might be of interest to the members of the committee if I told them of certain events which took place something more than a year ago. At that time there was a very lively discussion in the ICAO council on the subject of income tax paid by the ICAO staff; that was the provincial income tax. The government at that time saw fit to take certain steps. It amounted to a small amount of money, \$4 thousand or \$5 thousand, I think, which was quite gratefully received in the council. At the same time, or very shortly after that, an accommodation was reached between ICAC and the government of the province of Quebec. As a result of that, at the assembly which takes place every three years and which took place in Caracas in Venezuela in 1956 there was a vote of appreciation and gratitude passed by the assembly to the Canadian government and a general expression of satisfaction. That attitude seems to have been maintained since.

Mr. PATTERSON: Was that the factor which caused the agitation and the suggestion that it might move to South America?

Mr. IRWIN: That was part of a rather complex situation. The story goes back a number of years. It goes back to a time when the subsidy being paid by the Canadian government on the rent was relatively small. It was observed by the other governments who were members of the council that without exception every government who was a host to a specialized agency was able to provide accommodation at nominal figures for the specialized agencies. I think it was in 1951 that the government decided to increase very substantially the subsidy paid by Canada to ICAO for the rent. That assisted considerably. However there were certain other lesser matters of discontent which remained, but we feel now they have been substantially met.



*By Mr. Knowles (Winnipeg North Centre):*

Q. Since ICAO is the international organization which has conventions in respect of air travel, may I ask whether this organization has given any study to the problem of conventions regarding outer space?—A. I do not think they have yet taken that up.

Q. It was not as facetious a question as it may have seemed. I believe I read that the organization, or some subsidiary body related to the organization, or some lawyers interested in it, were looking at the problem.—A. Mr. Irwin says there has been a study made.

Mr. IRWIN: There has been no study made as yet, but there was a preliminary discussion, I think, which could be best described as a legal meeting of ICAO at Tokyo last September. As a result of the meeting it was decided to inscribe the item on the program of the legal committee. It is an item which will be taken up in due course when the secretariat feel they have something to offer to the committee. There is a question as to whether or not it falls within the proper scope of ICAO. ICAO deals with air space and there is a question as to whether or not outer space can be described as air space or as space that would be usable for what is known as aircraft. However I think we can rely on the legal committee of ICAO to sort out the technicalities.

Mr. KNOWLES (*Winnipeg North Centre*): A few days ago I asked a question on this subject in the House of Commons and I wondered what heading Hansard would put on it. It is always interesting to see what headings they dream up. They solved the question quite easily. They just called it external affairs. Perhaps we are looking into the future, but the future keeps getting closer. I think the desirability of coordinating the moons which we put into the sky and the question of outer space travel may come upon us sooner than we expect.

Mr. MONTGOMERY: I suppose there is a question as to when we are trespassing.

Mr. KNOWLES (*Winnipeg North Centre*): And the question as to when does space become outer space.

*By Mr. Holowach:*

Q. In connection with this assessment made in respect of the rental of a building, did you say the other nations also contribute or is this solely a Canadian gesture?—A. All countries who are members of ICAO contribute to its funds, but we alone as a host country make a special contribution which is approximately equal to the interest charges which were included in the rent.

Q. How much space is involved? I see that the rental is over \$200,000.—A. 87,500 square feet.

*By Mr. Patterson:*

Q. How many nations belong to this organization?—A. Mr. Irwin informs me there are 71 or 72.

*By Mr. Cannon:*

Q. I would like to ask a question in respect of the small item appearing on page 195. It is the item of \$7,500 to provide for a payment to the International Civil Aviation Organization in part reimbursement of compensation paid to its Canadian employees for Quebec income tax for the 1956 taxation year.—A. I think Mr. Irwin explained that in his comments. It was one of the matters which was irritating the organization—and I think "irritating" is the right word to use. In their effort to keep employees, Canadian and others, on an equal status, they had decided to pay equalization compensation to

the Canadian employees because those employees had to pay the Quebec income tax. We reimbursed ICAO for the amount of compensation which they have to pay to those employees.

Q. Is that a continuing expense?—A. It is as long as the income tax situation exists.

Item agreed to.

International Civil Aviation Organization—

Item 111. To provide for a payment to the International Civil Aviation Organization in part reimbursement of compensation paid to its Canadian employees for Quebec income tax for the 1956 taxation year, \$7,500.

*By Mr. Cardin:*

Q. I presume this item of \$7,500 is the item paid to the province of Quebec in connection with the income tax?—A. Yes. It is approximately the amount these Canadians have to pay. It is not quite the full amount. It is a very complicated formula. However it is approximately the full amount and it is satisfactory to ICAO.

Item 111 agreed to.

The CHAIRMAN: Items 112 and 113 will stand until Thursday afternoon.

Item 114 has been agreed to.

Item 115. To provide for the Canadian Government's Assessment for Membership in the Inter-Governmental Committee for European Migration in an amount of \$210,796 U.S., notwithstanding that payment may exceed or fall short of the equivalent in Canadian dollars, estimated as of December, 1956, which is, \$203,155.

*By Mr. Patterson:*

Q. What is this IGCEM?—A. Inter-Governmental Committee for European Migration.

*By Mr. Herridge:*

Q. Where do these people migrate from?—A. This is for assistance in the movement of migrants to new homes overseas and those immigrants who are able to meet immigration requirements. There is a task involved of transferring some three million people, organizing suitable services, language classes, and the shipping facilities which are needed to facilitate migration on the desired scale. The Canadian government has contributed towards the administration budget of this organization. The country which receives the migrants pays the operating expenses. In some cases where the migrants come to Canada and particularly in relation to the Hungarian refugees it was of assistance. The operating expenses of transporting these refugees would be borne by our Department of Immigration and not the Department of External Affairs. This is our contribution to the administrative expenses of this organization.

Q. What other countries contribute to this?—A. I am afraid I do not have the list with me.

Q. There are a number of countries who make contributions?—A. Yes.

Q. Is there any overlapping between the work of this organization and, for instance, the work being done in bringing in the Hungarians to Canada?—A. Well, as I say, this organization did assist in making the arrangements for some of the Hungarians who came here. They cooperated with our Department of Citizenship and Immigration.

Mr. McCLEAVE: What happens when the immigrants want to go back?

*By Mr. Montgomery:*

Q. Is there one head office, or are there several offices in various countries?—A. There is just the one office.

Q. Where would that be?—A. In Geneva.

*By Mr. Jung:*

Q. I understood you to say, Mr. Matthews, that this was just for refugees. Is it for other people who want to come here?

*By Mr. McCleave:*

Q. What happens to the immigrants as I said before who want to go back? —A. I am afraid that is a problem which is not dealt with by our department. It is dealt with by the Department of Citizenship and Immigration. I cannot answer that question, I am afraid. I think this organization deals with people who do not technically qualify as refugees, or at least, in part, it will deal with people who are not technically refugees. IRO deals only with those who meet the technical qualifications.

*By Mr. Jung:*

Q. Then persons who are desirous of coming to Canada can apply under this plan who are not refugees?—A. I do not think it is open to the individual to apply. There are certain groups who are destitute who are helped by this organization.

*By Mr. Cardin:*

Q. This is independent of UNWRA?—A. Yes, this is European migration and does not deal with those who are in the Near East.

Item agreed to.

Item 116. To provide for a grant by the Canadian Government to the United Nations Refugee Fund, \$200,000.

*By Mr. Patterson:*

Q. I wonder if Mr. Matthews would tell us if any attempt has been made or any plans have been worked out to try and rehabilitate these people. I think last year I asked a question as to the advisability of making any further contribution conditional upon being used for rehabilitation rather than just maintaining these camps, where according to all reports, they are deteriorating at an apparently rapid rate—not numerically but morally. I was wondering whether anything had been done, or plans made, to try to integrate them again into the economy.—A. This is the refugee fund you are talking about now?

Q. Yes.—A. The United Nations refugee fund.

The CHAIRMAN: Item 116 is the refugee fund.

*By Mr. Herridge:*

Q. I would like to ask Mr. Matthews this question: have you any idea how many refugees are left in Europe to deal with?—A. I think I will let Mr. Irwin answer this question, because it comes under United Nations.

Mr. IRWIN: Speaking directly from memory, and I think it is correct, the number of European refugees in the category that has been called "European Refugees" is about 200,000 and in addition, there are approximately 20,000 Hungarian refugees.

Mr. HERRIDGE: How long have these 200,000 refugees been waiting for some country to take them?

Mr. IRWIN: I should think in some cases, many years.

*By Mr. Herridge:*

Q. I can never understand why we got into such a furore over the Hungarian refugees and not over these people. Could not the same treatment be given to those who have been waiting in Europe for years to come into



this country? A good many people have spoken to me about that. I understand many thousands of these individuals have been waiting for somewhere to go and have not been able to get a country to receive them. Here we take other people, and bring them in under much more favourable conditions. Is there a particular reason for leaving these poor people stranded at this time and not doing something for them?—A. I think there was a special reason for doing what we did with the Hungarians in that most of them found themselves in a most unusual position on account of the revolt against the communist regime and it was felt that if the free powers did not immediately do something to get them resettled, as they had endangered themselves in this activity, it might have had serious implications on the reputation of the West.

Q. I presume it is that and I do understand it, but I have often wondered why we could not extend the same generosity to these people who have been waiting for years for somewhere to go.

Mr. MONTGOMERY: I think, Mr. Matthews, the answer to Mr. Herridge's question comes under immigration.

The WITNESS: Why they are not admitted here is something that our department would not decide.

*By Mr. Montgomery:*

Q. I understand this contribution is made to the organizations and not toward bringing people to this country.—A. No, this is to the organization.

Mr. STEWART (Winnipeg North): Would it be possible for Mr. Irwin to give us the breakdown in the matter you raised, and what is the national origin of those who are still in these camps?

Mr. IRWIN: I regret, Mr. Chairman, that I do not have the answer to that question. I could not say what the national origins are. Perhaps as an explanation I could say how many approximately there are in camps in certain countries, but I am afraid I cannot give you a clue.

Mr. STEWART (Winnipeg North): But that might not supply the answer. For instance, how many Ukrainian people left the Soviet Union, therefore are also refugees in that sense of the word. The information, I take it, is not available.

The WITNESS: Mr. Irwin does not think that any of the material we have in the department shows this information.

*By Mr. Holowach:*

Q. A point has been raised by Mr. Stewart and Mr. Herridge which should be given a little more consideration. I think something ought to be done about these people who have been stranded in Europe since the termination of the last war. We were able to bring the Hungarian refugees with all speed, but on the other hand, we have this tremendous amount of humanity stagnating in various refugee camps centered all over Europe, without hope of ever leaving those camps and I was wondering whether there is anything at all that might be suggested with respect to consideration being given to expediting transportation of these people to countries where they might be able to establish themselves. I can appreciate that in the Hungarian instance, there was a time factor but the circumstances—tragic circumstances—which face these original refugees were just as severe as in the case of the Hungarians. Therefore, I do think that something ought to be done with respect to the placement of these people as early as possible.

Mr. CARDIN: It would be wrong to leave the impression that nothing has been done for these refugees. I understand that the director of the United



Nations refugee fund has worked tremendously hard, not only to help these people to live, but also to repatriate them. There are considerable difficulties in so doing. It is true that the point Mr. Herridge made is one thing, but it will be wrong to think that these people have not been aided in the past, and effort has not been made. Now, I do not recall the name of the director prior to the present director, who died a year ago, but apparently he was a person who spent a good many years in trying to solve a very serious and difficult problem.

Mr. STEWART (*Winnipeg North*): The argument being put up is not against the United Nations, which is doing everything humanly possible. Here we have 200,000 human beings stagnating without any hope at all. I admit, that it is not a matter for this committee to decide, but surely we have enough Christian charity in us to give some help to them, in a sense of bringing them over here and giving them a new chance in life.

The WITNESS: I think we should realize, Mr. Chairman, how much is being done towards solving this problem. According to the paper I have here, in 1956, as recently as that, there were 1 million of these people. That number is now down to 200,000, of whom only 50,000 are still in the camps. The others are not permanently settled but at least were able to live outside the camps. So I think that the progress made has been quite remarkable.

Mr. STEWART (*Winnipeg North*): It is not our job to accept progress. It is our job to demand more action.

The WITNESS: I agree. But if it has been reduced from 1 million in 1956 to 200,000 now, then the progress is being made and let us hope it will be completely wound up.

*By Mr. McCleave:*

Q. Mr. Chairman, is it a fact that most of these 200,000 people are unemployed, and that is why they may be left to stagnate where they are now?—

A. I should think in any program such as this, the ones who are left at the end are the ones who are the hardest to deal with, there is no doubt about that.

Mr. HOLOWACH: I hope I did not create a wrong impression. Without detracting at all from the very fine program we have for these refugees, the fact still remains that after all these years there are still over a quarter million people in Europe who are stranded there. It seems to me that is the best evidence that our policy, in respect to bringing them in to more favourable situations, is still ineffective. It is a fact that the Soviet Union has made every attempt, and is still making an attempt, to bring these people back within the framework of their own country. It seems to me that if these people refuse to go back there they are certainly an element that would make very fine citizens. I am particularly concerned about these people. I receive numerous letters from some of them, and for some mysterious reason we never get any action from the immigration department with respect to solving this problem. I wonder whether the Department of External Affairs could look into this matter more seriously, with a view to bringing some pressure, in order to alleviate this situation?

Mr. CANNON: Mr. Chairman, in connection with these refugees and their resettlement, or their aid, I have listened to the remarks that have been made about the deplorable fact that we are not doing enough. I think the attention of the committee should be directed to the fact that the people who prepare these estimates, increased item No. 116 by \$75,000 and increased item No. 117 by \$250,000, making a total increase of \$325,000, which to my mind indicates that the previous administrators of the department were not insensitive or blind to the needs of these people. To the contrary, I think the contribution on behalf of our nation is considerable. I think that should be underlined.

Mr. STEWART (*Winnipeg North*): I think he is on dangerous ground when it comes to the sensitivity of the previous administration.

Mr. HOLOWACH: In reply to the hon. gentleman, may I point out that these people are not particularly interested in relief. They want to be placed in a position where they can fend for themselves. In that regard I think Canada could take a leading role to make it possible for them to do so. That is the point.

*By Mr. Macquarrie:*

Q. I note a comment here indicating that we have been unable to take very many of them for settlement. I wonder if we could have some indication as to what, in terms of persons, that has meant over the past year or so?—A. Apart from the 36,000 Hungarians, I am afraid we do not have any of the figures here, in respect to the number who have been taken into Canada.

*By Mr. McCleave:*

Q. What do the people who are directly responsible for these people say in respect of the problem becoming completely solved in a definite number of years?—A. I think they see it being reduced. Whether they see an end to this problem in a given time, I doubt very much. The whole group is not necessarily part of the original group who arrived right after the war. I think there are still new refugees arriving all the time who become the responsibility of the agency.

*By Mr. Montgomery:*

Q. Mr. Chairman, I would like to ask a question, but I do not know whether it has anything to do with this department or not. In order for these people to be brought into Canada, do they have to establish a nationality? Must they have lived a certain length of time in these relief camps before they can be brought here, or is there a requirement of that sort?—A. I am afraid I do not know what qualifications are demanded by Canadian immigration officers before these people are accepted into Canada. I cannot answer your question.

The CHAIRMAN: I think it may be fair to point out that this may primarily be an immigration problem, as much as it is a problem of this committee. I am going to say that while I was at the U.N. the third committee there was dealing with the refugee problem and I recall that Mrs. Quart, who is our representative on that committee, was reporting each morning on the problems of the refugees, not only European refugees, but refugees from around the world. This United Nations organization is searching for ways and means of doing what is possible, within the framework of each nation, to alleviate that problem.

Mr. HERRIDGE: Mr. Chairman, I do think that under this item, which provides for refugees, we are well advised to express our opinions. There is a lot of discontent as a result of the fact that these people have been left there, some for over ten years. I have made some inquiries, and I have found that these people do not meet the medical requirements. In other cases refugees are brought into Canada without screening, without medical examination, but brought in holus-bolus, and the result is evident in some quarters. At the same time there is a general feeling that we have not treated all these people alike and on the same basis. We have not been fair to them. There is a feeling among some people whom I have met—not only people of the nationalities with which we are concerned, the ones living in these camps, but among other people—that it is most unfair that there should be this number of refugees in the camps in Europe in view of the length of

time that has expired since the war, and that we should make an effort to solve the problem of this group of people, representing, I suspect, members of a good many nations, as we have done in connection with the Hungarians.

*By Mr. Cardin:*

Q. I wonder if Mr. Matthews could perhaps name the former high commissioner?—A. Mr. Van Heuven Goedhart.

Mr. CARDIN: I did not think we could discuss this question without mentioning his name. I would like to pay a good deal of tribute to him for the tremendous work he has done, and for the devotion he has shown. I agree that a problem exists. I also agree with Mr. Herridge, that we should try to do what we can in the future. I think we would be wrong if we did not mention Dr. Goedhart's great contribution in respect of this particular problem.

Mr. HERRIDGE: I will join you in that and admit that it is not his fault that the number of people coming into Canada is not greater.

*By Mr. McGee:*

Q. Does your department cooperate with the Department of Citizenship and Immigration on this matter?—A. In regard to questions concerning who should be admitted into Canada, that is their problem and not a problem of the Department of External Affairs. The operation of the organization to which we contribute is our problem. We do not say who, of this group, should be allowed into Canada.

Item agreed to.

Item 117. Contribution to the United Nations Relief and Works Agency for Palestine Refugees in the Near East, \$750,000.

*By Mr. Stewart (Winnipeg North):*

Q. Mr. Chairman, this vote deals with one of the danger spots in the world—the Middle East. I have had the opportunity of seeing one or two of these refugee camps in which Arabs are housed. It was a most devastating experience. I have never seen human misery such as I have seen in these camps. There has been one question in my mind. I was never satisfied in my own mind that the amount of money that was being contributed through the United Nations to the refugees was actually reaching them. I was never satisfied in my own mind that the number of refugees reported to the U.N. was the actual number of refugees in existence. I think the amount of money which is allotted, per head, to the refugees is \$250, which is a pitifully small sum. Could we have some information in regard to whether or not this entire amount of money is being expended for these refugees?—A. The organization is under the direction of a very trusted representative of the United Nations, Mr. Harry Labrousse, and as far as I know, or have heard, the money, while it is pitifully small, as you say, is being spent for the benefit of those people.

Q. May I make this point clear. I am not making any allegation against any United Nations officer, I think I know the job they are doing.—A. Nor the organization which he administers.

Q. Nor the organization. I have been led to believe, and from fairly responsible sources, that all the money that is allocated to the refugees is not reaching them, and that certain nations are taking advantage of the generosity of the United Nations and perhaps fingering-off a certain amount of money which should have been going to the refugees, but was not reaching them. There is an audit made in respect of this fund, and I think Mr. Watson Sellars is one of the auditors. I wonder if Mr. Matthews has a report concerning the audit made in this connection?—A. I do not know if we have such a report.



I am sure if there is an audit in connection with this fund among our papers in the department that it would be available. I would be glad to have a search made to see if there is anything of this kind.

I think most of the aid is turned over in the form of food or goods, but not in the form of cash. If there was a leak it would be in the form of food which might have been misappropriated, it would not be cash itself.

*By Mr. Patterson:*

Q. I wonder if Mr. Matthews would give me an answer to the question I raised on the wrong item? Have you any plans or projects to rehabilitate these people instead of maintaining them year after year under those conditions which Mr. Stewart claims are deplorable?—A. I do know that one of the great worries of that organization has been the very slow progress in that respect. I think the slow progress results from two factors. One factor is that the first money you get must be used to provide a minimum amount of food to keep the refugees alive, and the total amount of money received by contributions has never met the full requirement. The other factor is, to work out rehabilitation schemes it will mean many major developments in the countries of that area. As I understand it, although I am no expert in this field, there have been difficulties in developing the cooperation needed to work out these projects, and the amount of money that is left over after keeping these people alive is not great.

Q. Of course, there is that other situation which you mentioned in regard to the inability to secure cooperation. But from this point of view, if this money is not sufficient to work out some plan of rehabilitation, then we should get that amount increased and rehabilitate these people rather than spend this smaller amount each year, just keeping them there under those conditions. I suppose it is the attitude of the Arab countries towards the whole situation that is holding up development.—A. It has always been felt that the appeals for funds for this organization have had a very limited effect.

Q. But what I had in mind is that it would be better for us to spend five or ten times this amount now and get these people taken care of rather than spreading it out year after year, not doing anything for them.—A. To have a real effect, all the contributors would have to be ready to increase in this proportion.

Q. Has that aspect been considered at all?—A. Every year at the United Nations there is a pledging conference where all the countries are asked to contribute, and where all the organizations state their case in no uncertain terms as to what the needs are year after year. The contributions are made on a voluntary basis and not on an assessment basis for this particular project.

Q. Is the case just put to them on the maintenance aspects of the problem, or is there discussion with a view to trying to effect some permanent settlement?—A. Yes. I know that the organization has worked out very elaborate schemes of what kind of thing might be done to effect a permanent settlement; but as I say, there are two factors which hinder progress; one is the financial and the other is the political.

*By Mr. Cannon:*

Q. On that point I would like to ask Mr. Matthews whether it is not a fact that most of these refugees under item 117, Palestine refugees—if nearly all of them are not Arabs?—A. Yes.

Q. And the only place where can resettle them would be in other Arab countries.—A. Yes.

Q. As the most logical place to resettle them?—A. Yes.

Q. And has it not had the effect that the Arab countries want to keep these refugee camps going in the very unsatisfactory condition in which they

are now in order to use them for propaganda purposes, and that they also say that when they get the Jews out of Palestine they will move these people back there. Isn't that a political problem?—A. I am not an expert in that field.

Q. I have read it and I wondered how much truth there was in it.—A. You may read statements to that effect as well as many on the other side. To assess one or the other we could have a member of our Middle East division come here and discuss all those aspects with you. I would not care to do it myself.

Q. There is definitely a political problem there apart from the economic one.—A. Yes. The Arabs recommend that the proper place to settle these people is in their original home.

*By Mr. Patterson:*

Q. Has the state of Israel signified its willingness to assist to a degree in some supervision of these projects?—A. Just where the negotiations are, I do not know. But I would be glad to arrange to have one of our experts from the Middle East division come here and discuss the topic with you if the members of the committee so desire.

Mr. CANNON: Anyway, the problem exists, and I think we should make our contribution to help them out.

Mr. PATTERSON: I am not opposed to this amount, but I am opposed to a continuation of this item year after year when we are not doing any good because the problem is still there. Possibly it is increasing rather than diminishing. That is why I raise the question. It may be more a matter of policy than administration. I may be asking my questions in the wrong place, but certainly I am of the opinion that something ought to be done or some drastic action taken to try to clean up this situation.

Mr. HERRIDGE: Are we not doing the best we can under circumstances over which we have no control, hoping for some improvement?

Mr. PATTERSON: It may be in that same connection that if we withdraw these amounts of money, it might tend to solve the problem.

Mr. STEWART (Winnipeg North): If we did so, thousands of people would probably die.

Mr. HERRIDGE: Or start a war!

Item agreed to.

Item 118—To provide for the cost of Canada's participation as a member of the international commissions for supervision and control in Indo-China including authority, notwithstanding the Civil Service Act, for the appointment and fixing of salary rates of commissioners, secretaries and staff by the Governor in Council, \$546,930.

The CHAIRMAN: We have with us Mr. Rogers and Mr. Bauer of the Far East division. These gentlemen are prepared to answer questions. Is there a statement?

The WITNESS: No.

The CHAIRMAN: Are there any questions regarding item 118?

*By Mr. Stewart (Winnipeg North):*

Q. What sort of cooperation is the commission getting in Indo-China from the others?—A. You mean from the other members?

Q. No, from the Indo-Chinese people, or from other members of the commission too.—A. I shall have to ask Mr. Rogers to answer that question which deals with the operation of the commission.

Mr. R. L. ROGERS (*Far East Division, Department of External Affairs*): The governments of the countries co-operate by and large to a point where the commission can operate without being pointless. The degree of co-operation varies of course from country to country because the problems involved are extremely complicated and in the legal sense the signatories to the commission are involved to say the least. The commissions have done a fair job with fair cooperation from all parties. There are of course areas of dispute in which cooperation could be improved.

Mr. STEWART: (*Winnipeg North*): How many people do we have out there now?

Mr. ROGERS: About 160 including the military.

Mr. HOLOWACH: There is little hope that our obligation may be terminated within the next reasonable amount of time. Or, how long is this commission going to function there.

Mr. ROGERS: Nobody can be sure of it; but it is less a case in the immediate future of terminating the undertaking than of reducing it to a small scale. We have already done this in Cambodia and we have hopes of being able to do it soon in Laos, and perhaps we shall be able to effect some reduction in Vietnam too. But whether we shall be able to withdraw completely is something which I do not think anybody would like to guarantee because this again is a case where you have a number of governments involved and there are certain obligations, and you would have to obtain their consent.

Mr. CANNON: The few countries that are carrying that burden are Canada, India and Poland, are they not? And in connection with the question which has just been asked as to how soon the work may be terminated, has any thought been given to the idea that these three nations who are now carrying the burden might be replaced by three other nations? Why should these three continue to carry it and be involved particularly?

Mr. ROGERS: The three countries now serving were chosen at the Geneva conference on Indo-China and the only way to change it would be to reconvene that conference. I think that would be very difficult since there are several of the participants who might not want to attend another conference on the subject.

Mr. CANNON: I am not sure you are right when you say the only people who could make a change would be a new Geneva conference. It seems to me that the United Nations or some other organization might do it.

Mr. ROGERS: This arrangement was made completely outside the United Nations.

Mr. CANNON: Anyway, it is just an idea!

Mr. JUNG: She might, if Canada were to withdraw? Could she not do so?

Mr. ROGERS: We could withdraw if we did not mind treading on people's toes. We can only withdraw by consent unless we are willing to risk offending a number of people.

Mr. McCLEAVE: Whoever set it up does not meet now. They have just given us the job to do and then disappeared.

Mr. ROGERS: That is one way of putting it.

Mr. HERRIDGE: Have the living standards or the development of the people improved since this commission has operated?

Mr. ROGERS: The commissions are responsible for overseeing the cease-fire agreement. They are not responsible for welfare.

Mr. HERRIDGE: I wondered if there has been any improvement.

Mr. ROGERS: I think there is. In the absence of hostilities a little more effort has been able to be put into or devoted to reconstruction.



Mr. HERRIDGE: Where are the funds coming from for that reconstruction?

Mr. ROGERS: A large part comes from the United States—the largest part; the French of course are giving support and some of the other countries. Of course the people north of the demarcation line of Vietnam are presumably getting their support from the other side.

Mr. HERRIDGE: What form does it take—that assistance for reconstruction?

Mr. ROGERS: Sometimes capital assistance and sometimes in the form of a great deal of technical assistance for the building of factories, rehabilitated roads, and other facilities. And then we in Canada particularly under the Colombo Plan make an effort to bring students from these countries to Canada where they can use our French speaking educational institutions.

Mr. CANNON: For how many years have we acted on that supervisory commission?

Mr. ROGERS: Since 1954.

Mr. KNOWLES (*Winnipeg North Centre*): If we are helping to keep the peace out there I do not think it is very much money.

Mr. HOLOWACH: I agree with Mr. Knowles that we are certainly desirous of maintaining the peace and making a worth while contribution towards doing so; but the point here is that many people in the country are very economy-minded and I was just wondering about the merit of a program which does not seem to have any end. I think we ought to make our contribution consistent with the contributions of others towards a solution of this problem, but in this case it looks as if Canada is contributing money to something which would seem to have no end.

Mr. ROGERS: It is not the three countries alone that are bearing this burden. There are four countries which pay a large proportion of the expenses: they are the United Kingdom, France, the Soviet Union, and communist China. In addition to this, the countries which are hosts to the international commissions pay their local expenses.

Item agreed to.

Mr. HERRIDGE: I think it is a good investment.

The CHAIRMAN: There are other items which have been allowed to stand. But before we go back to them let us deal with the supplementary estimates and the further supplementary estimates.

Item 617—Canadian participation in the work of the European productivity agency of the Organization for European Economic Cooperation, \$20,000

*By Mr. Patterson:*

Q. May we have an explanation of that long title? What is that agency doing?—A. I have a long paper here that I can read to the members of the committee. I am not familiar enough to summarize without reading it.

The European Productivity Agency (EPA) is a subsidiary of the Organization for European Economic Co-operation. As such the EPA prepares, co-ordinates and disseminates information on technical education and production methods with a view to improving and making more efficient the industrial practices within member countries. Since its establishment in 1953 the EPA has been instrumental in the carrying out of activities which have ranged from formal exchanges of information to practical research in production problems and industrial relations. While occasionally the usefulness of specific projects may have been questioned, there has been little criticism of the value of the agency itself and, in fact, there is ample evidence of its success thus far in achieving the aims which its members are seeking.

Canada has not played any substantial role in the agency partly because of its predominantly European character and partly because of the more limited nature of the associate membership which Canada has in the OEEC. On frequent occasions, however, the European members of the EPA have requested direct Canadian participation in certain activities which the agency sponsors and in a number of cases such participation has taken place. More recently, the program of the EPA has included greater emphasis on the needs of under-developed areas and the EPA is expected to extend the use of its facilities to non-European nations in such categories, which will tend to broaden the degree of Canadian interest in the agency itself.

I do not know if that gives sufficient explanation to the members.

The CHAIRMAN: Does that suit the wishes of the committee? Do you wish to ask more questions of Mr. Matthews now?

*By Mr. Cannon:*

Q. It is a special agency of the OEEC?—A. Yes.

Q. Does Canada belong to the OEEC?—A. It is an associate member of the OEEC.

Q. And you were saying that a certain amount of the money used by EPA is used to help under-developed countries?—A. It is just recently that they have expanded to that field.

Q. So we are making indirectly a contribution to help under-developed countries?—A. Yes, that is right.

Item 617 agreed to.

The CHAIRMAN: We now come to Further Supplementary Estimates (2), item No. 778.

Item 778—To provide for an additional advance to the Working Capital Fund of the United Nations Educational, Scientific and Cultural Organization in an amount of \$4,800 U.S., notwithstanding that payment may exceed or fall short of the equivalent in Canadian dollars, estimated as of October, 1957, which is \$4,653.

The WITNESS: This is an additional advance to the Working Capital Fund of UNESCO. Each of the specialized agencies need a working capital fund very largely for the purpose of carrying them on while awaiting the annual contributions of the member countries. Expenses start at the beginning of the year but, unfortunately, the contributions in many cases trickle in over the year, but in most organizations it is practically 100 per cent paid by the end of the year. The Canadian share of that working capital fund has been increased by this amount, and to keep our payments in order and our financial relationships up to date, it is necessary for us to make this additional advance. As the Chairman pointed out, it is regarded as an investment or a loan.

*By Mr. Montgomery:*

Q. Is this sort of a revolving fund?—A. A working capital fund. It gives them money to carry on their activities while waiting for the annual contributions to come in. Their fiscal year begins on January 1, but many of the countries because of budgetary procedures will not be able to pay their actual contributions until later on in the year.

Q. Has Canada made a contribution?—A. I am not certain what our original contribution was.

*By Mr. Cannon:*

Q. It is an advance we are making?—A. It is an advance, but unless they decide to reduce the size of the working capital fund, or the percentage we should contribute to it is reduced, it will be fairly permanent, as long as UNESCO operates.

*By Mr. Montgomery:*

Q. I would like to have an answer to my question as to how much the previous payments were.—A. What our total payments have been into this working fund?

Q. Yes?—A. I am afraid we will have to bring that figure to a later meeting.

Item 778 agreed to.

Item 97. Representation Abroad—Capital—Construction, acquisition or improvement of buildings, works, land, equipment and furnishings, and to the extent that blocked funds are available for these expenditures, to provide for payment from these foreign currencies owned by Canada and provided only for governmental or other limited purposes, \$2,161,775.

*By Mr. Holowach:*

Q. Would you explain what is meant, under capital expenditures, in this particular field of representations abroad. Are those improvements?

Mr. MALCOLM GRANT (*Supplies and Properties Division, Department of External Affairs*): Actually the total fund is \$2,161,000. It is broken down into three groups which were described by Mr. Leger in his statement to the committee. Of that total of \$2,161,000, \$255,000 were for the purchase of office furnishings and equipment including security equipment. \$1,251,000 was for the acquisition, construction and improvement of properties abroad, and \$654,000 was for the acquisition of furnishings and equipment for residences abroad and for staff quarters. Mr. Leger's statement also states that in 1957, with 61 posts, we own 51 properties comprising 18 official residences, 12 chanceries, 3 residence building sites and 18 staff quarters. In addition, the department rents 113 properties consisting of 34 official residences, 46 chanceries and 33 staff quarters and is responsible for the furnishing of 26 individually-leased staff quarters. Therefore, at the present time, we have a direct interest in the maintenance and furnishings of 190 properties abroad.

Mr. MONTGOMERY: Has that been broken down to show how much is to be spent individually on each property?

Mr. GRANT: Our estimate gives the detailed changes. You will note these figures are broken down into two headings, operation and capital. Operation is the general maintenance and upkeep, whereas capital is the capital expenditures for items required such as furnishings and equipment.

*By Mr. Cardin:*

Q. Has any decision been reached concerning the construction of the residence on the property which the department owns in Rome?—A. No. That is a question which, as you know, has been pending for a long time in the department and has not yet been considered or even laid before the government.

*By Mr. Cannon:*

Q. Has any decision been taken concerning a new residence for the ambassador in Dublin?—A. One has been purchased.

Mr. CANNON: I am glad to hear that, because when I was in Dublin in 1955 the ambassador was very anxious that something be done about it.

*By Mr. Stewart (Winnipeg North):*

Q. Has any decision been made concerning the acquisition of the property in Jerusalem in the event that it is decided that eventually Jerusalem will be the capital of Israel?—A. We always try to rent property wherever we may



be until the official decision is taken as to the site of a capital. In the meantime as mentioned the other day, there is not a resident head of mission there so that there is a smaller property rented for the charge d'affaires.

Q. I was thinking in terms of the future. Perhaps sometime, the embassy will be removed to Jerusalem, and will it not be a wise investment to get some land in that city now with the prices as they are?—A. The problem is that there are so many countries where we have immediate needs. It takes time and effort of individuals and money to carry out all these things, so we concentrate on the ones which are pressing.

Q. I can well understand that.

*By Mr. Patterson:*

Q. It is stated here that the unallotted amount has been decreased by \$100,000. Is there any unallotted amount now? I cannot see any.—A. The amount that was originally in for unallotted amount was \$700,000.

Q. Where would we find that in the estimates?—A. It is one of the parts making up the item "acquisition, construction and improvement of property". It is not a separate item in the estimates?

Q. It is not designated to fall as an unallotted amount.—A. No, but in compiling the amount needed for the acquisition and construction that is one of the items that is included.

Q. It seems to me that last year there was a great deal of discussion over that unallotted amount, was there not, in the committee?—A. Yes, there was.

Q. I was just wondering seeing we had a change in administration since that time—a change in government—whether that might have been wiped out altogether.

Mr. HERRIDGE: I rather expected that.

Mr. PATTERSON: I expressed myself last year as in favour of having a sum on hand or in the estimates. I think the understanding is that if a situation arises where a suitable property comes on the scene, then there should be an amount so that you can go ahead and purchase it. I was in favour of it at that time but I know that members of another group on this committee were very vocal in their assertions that there should not be given a blank cheque to anybody?

Mr. CANNON: They will probably change their minds when they change positions.

Mr. PATTERSON: It is possible that Mr. Matthews does not want to make any comment on that but perhaps the chairman would like to.

The CHAIRMAN: We will do the very best we can.

Mr. MCGEE: Is it in order to ask such questions as this because I am new to all this. In this business of keeping up with the Joneses on an international basis; who are the Joneses in this case? What is our term of reference in regard to the size and extent of our embassy operation in a given country?

The WITNESS: Well, the nature of the representational activities varies greatly from country to country and the pattern had been set long before we ever had a diplomatic mission. We do not make any effort to keep up with the kind of mission a very great power will have. We do feel we have to do something which is a credit to Canada and not a discredit to Canada. We do our best to form a judgment in each individual case as to what is needed in that particular country. It is obvious in a city such as Paris that you must have a higher standard than required in the countries where social practices are not quite of the same degree.

Mr. MCGEE: I was interested in Ireland. The ambassador there was not happy.

Mr. CANNON: No, he was not happy. I felt that Canada was able to do better for her ambassadors than she was doing at that time.

Mr. MCGEE: What was the basis for your criterion? I hope I am not out of order in asking this type of question. This business fascinates me because of the looseness of the terms of reference. It seems to me it calls for some explanation in the light of an opinion expressed by an individual such as yourself, or an ambassador, for that matter.

Mr. CANNON: I would not like to express an opinion for the ambassador. I just told you what I felt, as I recalled it, and I recall it pretty well. The house that he was lodged in was not a comfortable house at all. It was not even a middle class house, I would say. It was not the kind of house you or I would like to be lodged in. I thought we should have done better than that for a representative of Canada.

The WITNESS: I think that most Canadians who have visited Dublin feel the same way you do. It was a house we purchased during wartime and everyone felt it was inadequate and undignified for a Canadian ambassador to be housed in. Therefore, we looked for a new one and fortunately have been able to buy one.

*By Mr. Fairfield:*

Q. I see under "Consulates" that we have eight consulates in the United States. In regard to the consulate in New York, for instance, it represents quite a large rise in these estimates over the previous year. In fact it is a great deal more than that which is involved in regard to some diplomatic missions in other major countries. Is there any explanation for this?—A. You are talking about the operational side of it?

Q. Yes.—A. The staff required to operate the consulate in New York is far larger than the staff required in most of our diplomatic missions, and the volume of work is far heavier. Another item which causes the increase is the cost of living in New York, which is very much higher. This includes all your rentals and offices. It also includes all the allowances you must pay on account of the high cost of living in New York. It is a much larger operation and a more expensive situation than almost any of our missions. There are only a handful that have as big a staff.

Q. Yes, but it has increased by nearly \$200,000, and the staff has only increased by seven.—A. I am sorry, this gets us back into another item. I am trying to find it.

Q. I am sorry, I thought it was the same.

*By Mr. Montgomery:*

Q. Mr. Chairman, under capital expenditures for all these items, I take it that it is for the purchase of furniture, equipment, and repairs to buildings?—A. The capital?

Q. Yes.—A. Yes, and the purchase of buildings, property, land, or construction of buildings.

Q. I see items here for Czechoslovakia and Denmark. The point I would like to get at is, who decides what shall be necessary. Take the item of \$3,145 in the case of Czechoslovakia last year. Does your department send engineers from Canada to go around to these various places and assess what should be done, and what should be paid, or do you depend on the staff of these various posts for this information?—A. We start off by getting a recommendation from the head of each post as to what should be done. That recommendation is

received in the department and is gone over by our Supplies and Properties division. They can also get reports. We have a new inspection service and we hope every three years to cover every post with an inspection. We have not yet been operating for three years so some posts are not covered; but the Supplies and Properties Division can go to the inspection service to get their opinion, if they see an item which they feel should be questioned. The assessment is made as to what is reasonable to put in the estimates when it comes to the actual expense or implementing of this program it may be an operation of a kind which will need an engineer, or it may be an operation of a kind that someone from our Supplies and Property division will go and examine. If it is just a small item, we will leave it to the post to look after.

Q. For the last year you have been considering the estimates which you will be putting in for 1958-59?—A. Yes. These were prepared about a month or six weeks ago.

*By Mr. Holowach:*

Q. Could you tell us the relationship between the permanent mission to the United Nations and the offices in Switzerland and the permanent mission to the United Nations at New York? In each case I would suppose that their activities would have to do with the United Nations programs. I think I know something of the duties of the permanent mission in New York, but how about Switzerland? And in addition, what efforts are being made to make sure that there is no overlapping of these things? I notice on page 26 with respect to the permanent mission in Switzerland you have an increase in the operations to the extent of \$39,000 and I wondered how you would account for that?—

A. Perhaps I might answer your question in part: certain of the specialized agencies of the United Nations have their headquarters in Geneva where they use the old League of Nations building which was taken over by the United Nations when the United Nations was established. There are also a great many United Nations conferences held there. So as result each member country has to maintain a permanent mission there to look after these activities which take place at Geneva.

The general assembly, the security council, and the largest part of United Nations activities take place in New York, so it is necessary to have a permanent delegation at New York also.

Q. There is no overlapping at all of services rendered?—A. Oh no, there is no overlapping.

*By Mr. Patterson:*

Q. Would there not be merit in trying to carry on all the work of the United Nations in New York rather than having two separate headquarters as it were?—A. I do not think so. I think they are pretty well divided. It is only natural that European countries would like to have some of the activities centered in Europe. In the same way, other specialized agencies such as ICAO are located in Montreal. Another good reason for having them in Geneva is that there was the international building there which was transferred from the League of Nations to the United Nations, and it is suitable for international meetings of this kind.

*By Mr. Herridge:*

Q. It is located in a very appropriate country in Europe.—A. Yes.

The CHAIRMAN: Are there any further questions?

The WITNESS: There is one point which I would like to refer to. Actually that \$480,000 figure for operations in New York included \$100,000 in the event of a move to Canada House which we discussed yesterday in this committee.



That is the explanation for the largest amount of the increase. At the time these estimates were prepared we anticipated the move and this covered the expenses of moving, which expenses were going to be very high.

*By Mr. Montgomery:*

Q. In other words, the estimates we are considering now involve money which has been practically all spent?—A. They are for the year ending March 31 next.

*By Miss Aitken:*

Q. So we won't spend that \$100,000?—A. No.

Item 97 agreed to.

Item 103—Grant to the Canadian Atlantic Coordinating Committee, \$2,500.

*By Mr. Stewart (Winnipeg North):*

Q. What is this committee?—A. This is an item that I had to ask be stood over until today because I was not familiar with the grant to the Canadian Atlantic Coordinating Committee. This committee resulted from the forming of an international committee, the Atlantic Treaty Organization by private groups from all countries that are members of NATO. They recommended that each individual country that is a member of NATO form a national group. This was undertaken in co-operation with the Canadian Institute of International Affairs and the United Nations Association.

The purposes of this association are three; to educate and inform public opinion about NATO in the country of each national group; to study NATO's objectives and activities, and a broader policy to promote solidarity between the peoples of the north Atlantic area. This is done partly by arranging for the dissemination of information and publications to the public in Canada, and also by arranging for Canadian participation in official groups and meetings in Canada and internationally. This is a purpose which it was felt should be supported by the government, and that is why this small item is included in the estimates.

*By Mr. Cannon:*

Q. It is a very laudable objective and I certainly approve of the amount being voted but where has this organization got its headquarters in Canada and who are its officers?—A. The original chairman of the Canadian Atlantic Co-ordinating Committee was Mr. Edgar McNnis who is also president of the Canadian Institute of International Affairs. It does not say here where the headquarters is but I presume it is in Toronto.

Mr. STEWART (Winnipeg North): It is the CIIA in Toronto.

*By Mr. Patterson:*

Q. I raised this question at the last meeting. I wonder is this functioning now, to your knowledge?—A. Yes it is.

Q. And carrying on the duties and the objectives that are outlined in your statement?—A. Yes.

Q. The same as the United Nations Association; there is no report given to your department in that connection?—A. No, we make a grant to them and then they administer that grant.

*By Mr. Stewart (Winnipeg North):*

Q. Is the grant made direct to the committee or to the Canadian Institute of International Affairs?—A. Directly to this committee.

*By Mr. Patterson:*

Q. And the activities are carried on as a separate entity from the work of the Institute of International Affairs?—A. Yes, and I understand they may use the Institute's mailing lists and facilities to a certain extent, but it is a separate operation.

*By Mr. Stewart (Winnipeg North):*

Q. The group in Europe does hold fairly frequent conferences and this Canadian portion is affiliated with the European one?—A. Yes.

*By Mr. Patterson:*

Q. We were advised the other day that national conventions are held by the United Nations Association—at least they were conducted periodically. Is there such a thing in this organization?—A. I have not heard of any national convention of all members. I have not heard of such a meeting.

Q. I wonder if there are branches the same as the United Nations Association in different parts of Canada?—A. I do not think so. I think it is more the disseminating of literature and calling of meetings of interested persons. I could not be sure of that but I do not think there are branches.

Mr. STEWART (Winnipeg North): I think it is an off-shoot of a British organization. I was suspicious that the foreign office was subsidizing it; and when the foreign office subsidizes anything, I get very worried.

*By Mr. Patterson:*

Q. It is a very small amount, but I am wondering if this is still operating, what the procedure is and so on?—A. It is definitely still operating.

*By Mr. Macquarrie:*

Q. Have you any idea as to how many people are involved as members or associates?—A. No. I do not have any information on that.

*By Mr. Stewart (Winnipeg North):*

Q. Would it not be a legitimate request to ask this organization to provide a report so that it may be examined by this committee on a future occasion?—A. I think the department could provide a statement as to what it does, but I do not think it is customary where a grant is made to an organization, to ask that organization to account for all of its activities. We only contribute a part of their finances. Did you have in mind that they be made subject to audit by the Auditor General?

Q. No. However, as a matter of courtesy, the organization might let the department know what precisely it is doing.—A. I wonder if it would meet your suggestion if we asked them to give us a brief summary of their activities which we could read when the next series of estimates are being considered?

Mr. CANNON: Any organization must have a statement of its expenditures. They could give us that statement and at the same time give us a statement of their activities.

Mr. HERRIDGE: And also the names of their present officers.

The WITNESS: Yes.

*By Mr. Patterson:*

Q. If this is a regular vote year after year they do not make a yearly application for a grant?—A. Most of the people who get grants write in when the time comes.

Q. It could be carried on year after year and perhaps the sum is not used for that purpose?—A. I think it is looked at too closely in the departments to have that happen.

Item agreed to.

The CHAIRMAN: This brings us to an end as far as our meeting today is concerned.

Item 94 stands.

As I mentioned earlier, items 112 and 113, dealing with the International Joint Commission will be taken up tomorrow at 3 o'clock when General McNaughton will be here.

Mr. CARDIN: Will we have an opportunity of questioning the Secretary of State for External Affairs again?

The CHAIRMAN: I doubt it, at least until after Christmas as he is leaving tomorrow.

Mr. PATTERSON: I thought the understanding was that we would have the minister back again before he left.

The CHAIRMAN: We were trying to arrange that, but because of the briefings for the NATO meetings and because of other activities, it was practically impossible to do that. I should point out to the committee also that Mr. Matthews read the statement that was prepared. The minister asked Mr. Matthews to read the statement and the questions were answered yesterday dealing with the particular items which we felt the committee were seeking. He had intended to come, but on very short notice, he asked Mr. Matthews to deal with that very problem.

Mr. PATTERSON: Of course, I think we must recognize the fact that we cannot question Mr. Matthews too closely on government policy. The Secretary of State for External Affairs advised me that I had the opportunity here to question him in respect to policy. As I say, we have not had that opportunity this year.



## APPENDIX A

EXPANDED PROGRAM OF TECHNICAL ASSISTANCE CONTRIBUTIONS  
PLEDGED BY GOVERNMENTS FROM 1952 TO 1957—*Concluded*(SEE PAGE 85 OF THE ANNUAL REPORT OF THE TECHNICAL ASSISTANCE BOARD FOR 1956.  
U. N. DOCUMENT E/2965; E/TAC/REP/97)

(In Thousands of U.S. Dollars)

Country	1952	1953	1954	1955	1956	1957 <sup>a</sup>
Afghanistan.....	7.0	10.0	10.0	10.0	10.0	12.5
Albania.....						2.0
Argentina.....	200.0	200.0	300.0	83.3	360.0	360.0
Australia.....	190.0	400.0	400.0	500.0	500.0	500.0
Austria.....	19.2	19.2	19.2	38.5	38.5	38.5
Belgium.....	270.0	297.0	337.5	337.5	437.5	437.5
Bolivia.....	12.5	25.0	7.9	7.9	10.0	15.8
Brazil.....	459.5	374.6	219.2	270.3	751.4	751.4
Bulgaria.....					14.7	14.7
Burma.....	8.0	12.0	12.0	18.0	18.0	24.0
Byelorussian Soviet Social- ist Republic.....			50.0	50.0	50.0	50.0
Cambodia.....	5.0	5.0		2.0	5.0	5.1
Canada.....	750.0	800.0	1,500.0	1,500.0	1,800.0	2,000.0
Ceylon.....	15.0	15.0	15.0	18.0	18.0	18.0
Chile.....	174.2	209.0	58.9	100.0	44.0	110.0
China.....	10.0	10.0	15.0	15.0	20.0	20.0
Colombia.....	100.0	100.0	140.0	140.0	140.0	140.0
Costa Rica.....	5.0	5.0	6.0	7.0	8.4	10.0
Cuba.....	50.0	50.0			25.0	25.0
Czechoslovakia.....			69.4	69.4	69.4	69.4
Denmark.....	108.6	434.3	434.3	550.2	579.1	579.1
Dominican Republic.....	6.0	10.0	10.0	20.0	24.0	28.0
Ecuador.....	6.3	6.4	6.4	10.0	9.9	11.5
Egypt.....	81.8	86.2	86.2	100.5	100.5	114.9
El Salvador.....	5.0	6.0	6.0	7.0	7.0	7.0
Ethiopia.....	20.0	20.0	20.0	20.0	20.0	20.0
Finland.....	10.0	10.0	10.0	15.0	15.0	25.0
France.....	1,064.6	1,207.5	1,207.5	1,450.4	1,450.4	1,450.4
Germany, Federal Republic of.....	119.0	148.8	148.8	148.8	297.6	357.2
Greece.....	20.3	20.3	5.0	5.0	5.0	10.0
Guatemala.....	7.5	7.5	7.5	7.5	7.5	10.0
Haiti.....	12.0	12.0	12.0	12.0	14.4	14.4
Honduras.....	8.0	9.6	8.0	8.0		10.0
Hungary.....					12.9	42.6
Iceland.....	2.5	2.8	2.8	2.8	3.4	3.7
India.....	275.0	275.0	300.0	400.0	450.0	500.0
Indonesia.....	43.9	63.6	65.8	65.8	65.8	65.8
Iran.....	40.0	40.0	50.0	50.0	50.0	50.0
Iraq.....	5.0	11.2	14.0	13.9	28.0	56.0
Ireland.....	14.0		14.0	14.0	14.0	
Israel.....	28.0	40.0	50.0	27.8	50.0	50.0
Italy.....	93.0	93.0	96.0	112.0	112.0	112.0
Japan.....	80.0	80.0	80.0	90.0	90.0	90.0
Jordan.....			2.8		5.6	5.6
Korea, Republic of.....	5.0	3.0	3.0	3.0	3.5	3.5
Laos.....	5.0	2.8	2.9	1.4	1.4	1.4
Lebanon.....	6.8	6.8	6.8	6.8	6.8	6.8
Liberia.....	12.0	12.0	15.0	15.0	20.0	20.0
Libya.....		3.0	3.6	4.0	5.0	5.0
Luxembourg.....	2.5	2.5	2.5	2.5	3.0	3.0
Mexico.....	34.7	34.7	34.7	24.0	33.6	33.6
Monaco.....	2.9	1.1	1.4	1.1	1.4	1.4
Morocco.....						5.0
Netherlands.....	400.0	421.0	600.0	660.0	760.0	874.0
New Zealand.....	126.0	125.6	125.6	168.0	168.0	168.0
Nicaragua.....	5.0	5.0	5.0	3.6	6.4	6.4
Norway.....	56.0	70.0	98.0	380.8	380.8	380.8
Pakistan.....	151.1	166.2	166.2	166.2	166.2	166.2
Panama.....	3.0	3.0	3.0	3.0	3.0	3.0
Paraguay.....	5.0	5.0	8.0	8.0	12.0	12.0
Peru.....		10.0	12.0			20.0
Philippines.....	50.0	50.0	55.0	55.0	66.6	66.0
Poland.....		75.0	75.0	75.0	75.0	75.0

EXPANDED PROGRAM OF TECHNICAL ASSISTANCE CONTRIBUTIONS  
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(In Thousands of U. S. Dollars)

Country	1952	1953	1954	1955	1956	1957 <sup>a</sup>
Portugal.....						10.0
Romania.....						16.7
Saudi Arabia.....	15.0	15.0	15.0	25.0	16.7	25.0
Spain.....					10.0	50.0
Sudan.....					43.1	25.0
Sweden.....	357.3	386.6	483.3	579.9	695.9	792.6
Switzerland.....	218.9	231.9	233.4	233.4	233.7	350.5
Syria.....	11.4	11.4	11.4	11.9	7.3	22.8
Thailand.....	34.0	40.0	40.0	40.0	64.0	64.0
Turkey.....	182.0	183.6	201.5	201.5	201.5	210.0
Ukrainian Soviet Socialist Republic.....			125.0	125.0	125.0	125.0
Union of Soviet Socialist Republics.....		1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
United Kingdom of Great Britain and Northern Ireland.....	1,260.2	1,400.2	1,820.2	2,240.0	2,240.0	2,240.0
United States of America.....	11,400.0	12,767.1	13,861.8	15,000.0	14,419.4	15,500.0 <sup>b</sup>
Uruguay.....	50.0	75.0	75.0	100.0	120.0	120.0
Vatican City.....			2.0	2.0	2.0	2.0
Venezuela.....	20.0	25.0	45.0	150.0	66.0	66.0
Viet-Nam.....	7.5	7.5	7.5		10.0	21.4
Yemen.....		2.1	2.1			
Yugoslavia.....	50.0	62.5	82.5	82.5	110.0	110.0
TOTAL.....	18,797.2	22,320.7	25,020.6 <sup>c</sup>	27,666.2 <sup>c</sup>	28,833.7 <sup>c</sup>	30,794.2

<sup>a</sup> Provisional, to 30 April 1957.<sup>b</sup> Maximum contribution: \$14 million will be paid to match the first \$14 million of pledges from other Governments. The balance of \$1.5 million will be contributed at a reduced matching percentage to be announced later.<sup>c</sup> In addition, a contribution equivalent to \$467 was pledged by the Government of Liechtenstein and accepted under Financial Regulation 7.2.

## ANNEX II

## CONTRIBUTIONS OUTSTANDING AS AT MARCH 31, 1957

(In Thousands of U. S. Dollars)

Country	1953	1954	1955	1956	Total unpaid balances
Afghanistan.....				10,000	10,000
Belgium.....		13,500			13,500
Bolivia.....				10,000	10,000
Cambodia.....				5,000	5,000
Colombia.....			40,000		40,000
Cuba.....	50,000				50,000
Ecuador.....		6,195	267		6,462
Egypt.....				100,517	100,157
El Salvador.....				7,000	7,000
Ethiopia.....			20,000		20,000
Honduras.....		8,000	8,000		16,000
Indonesia.....				59,210	59,210
Iran.....				50,000	50,000
Israel.....				16,667	16,667
Paraguay.....				12,000	12,000
Peru.....	10,000	12,000			22,000
United States.....				1,042,192	1,042,192
Uruguay.....		75,000	100,000	120,000	295,000
TOTAL.....	60,000	114,695	168,267	1,432,586	1,775,548









HOUSE OF COMMONS

First Session—Twenty-third Parliament  
1957

Government  
Publications

STANDING COMMITTEE

ON

# EXTERNAL AFFAIRS

*Chairman:* H. O. WHITE, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

MAIN ESTIMATES OF THE DEPARTMENT OF  
EXTERNAL AFFAIRS—1957-58

THURSDAY, DECEMBER 12, 1957

Statement by General A. G. L. McNaughton, Chairman, Canadian Section,  
International Joint Commission.

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## STANDING COMMITTEE ON EXTERNAL AFFAIRS

*Chairman:* H. O. White, Esq.

and Messrs.

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Stewart (*Winnipeg  
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Stuart (*Charlotte*)—35.

J. E. O'Connor,  
*Clerk of Committee.*

## MINUTES OF PROCEEDINGS

THURSDAY, December 12, 1957

The Standing Committee on External Affairs met at 3.00 p.m. this day. The Chairman, Mr. H. O. White, presided.

*Members present:* Messrs. Best, Cannon, Cardin, Coldwell, Fairfield, Haidasz, Herridge, Holowach, Jung, Kucherepa, Low, Macnaughton, Macquarrie, Montgomery, McCleave, McGee, Patterson, Stick, Stuart (*Charlotte*), and White.—(20)

*In attendance:* General A. G. L. McNaughton, Chairman, Canadian Section, International Joint Commission; Miss E. M. Sutherland, Secretary; Messrs. D. G. Chance, Assistant Secretary; J. L. MacCallum, Legal Adviser; and E. R. Peterson, Engineering Adviser.

The Chairman observed the presence of quorum and introduced General McNaughton to the Committee.

General McNaughton made a general statement and was questioned by Members of the Committee regarding the work of the International Joint Commission.

During his statement, General McNaughton referred to the following topics:

1. Passamaquoddy Tidal Power Project.
2. St. Croix River Reference.
3. Columbia and Kootenay Rivers.
4. Libby Dam Project.

Committee recessed at 4.30 p.m. in response to a call from the Chamber.

At 5.00 p.m. Members of the Committee reassembled and General McNaughton continued his testimony. He was further questioned concerning the proposed development of the Columbia and Fraser Rivers.

At 6.00 p.m., General McNaughton's questioning continuing the Committee adjourned to meet again at 3.00 p.m. Friday, December 13, 1957.

J. E. O'Connor,  
*Clerk of the Committee.*





## EVIDENCE

THURSDAY, December 12, 1957  
3.00 p.m.

The CHAIRMAN: Gentlemen, if you will come to order, we will now proceed with the committee's work.

I feel certain that you are all glad that General McNaughton is able to be with us today and, as I mentioned yesterday about Mr. Cavell, I think the same applies today, that General McNaughton is well known to the committee and well known for his work.

He has prepared a statement, and I am one of those of the opinion that you get more out of a statement if the man who has prepared it reads it to us. So I am going to ask General McNaughton to read it. He has suggested that he is going to commence at the Atlantic and progress westward and he suggested that if some question arises over a particular region, or a statement, do not hesitate to interrupt and ask a question. In that way you probably will get more out of the text and the questions. Maybe when he gets to British Columbia there will be so many questions we will forget about the other regions as we go along.

Without any further remarks, except to say that we are glad to have you here, General McNaughton, I think the committee is looking forward to what you have to say.

General A. G. L. McNaughton, Chairman, Canadian Section, International Joint Commission, called.

The WITNESS: Mr. Chairman, it is indeed a great privilege and not only a privilege but a pleasure to come before this committee because I say quite frankly to you and members of the committee that I believe that if it had not been for the existence of this committee and the opportunity which you have given us to bring the facts of these dynamic water situations out into the open, there would have been nothing left to discuss. This committee has made a tremendous contribution in preserving these water resources for Canada and still giving us something to talk about.

Before discussing the various projects with which the commission is concerned, I would like briefly to outline in general terms the financial estimates which are being presented to parliament for approval.

The commission's funds are divided into two votes, one to cover the salaries and expenses of the commission as such and the other to cover Canada's share of the expenses of the several studies and surveys carried out under the auspices of the commission and approved by the Canadian and United States governments.

The funds requested for 1957-58 make allowance for the general salaries increase and annual increments provided by regulation. These increases are offset to a considerable extent by reductions in the cost of administration. These include the savings on one position which it has only been possible to fill until now.

In the vote covering studies and surveys, the request for funds for the Passamaquoddy tidal power project is additional this year to the projects listed for the previous fiscal year.

The details of these studies will be given in my description of the several projects. At this point I would mention that since the estimates were prepared it has been found important to further develop some aspects of this work in order to safeguard Canadian interests and for this purpose an additional \$20,000 is required but this has been found by reducing other less urgent studies in other sections, notably in the St. Croix river reference where we had provision for the sum of \$50,000.

The estimates for the St. Croix river reference in 1956-57 made provision for a sum of \$50,000. As the work has progressed it has been found that the information required could be secured in large part by office rather than field studies and the cost has been reduced accordingly to an estimated figure of \$10,000 for the present fiscal year.

Items in the studies and surveys vote show a general reduction except in respect to the International St. Lawrence River Board of Control and the studies being undertaken in preparation for a possible reference on international rivers flowing from the Yukon and British Columbia into Alaska.

As regards the International St. Lawrence River Board of Control provision is made for the responsibilities which will devolve on that board with the institution of the regulation of the St. Lawrence which is forecast to come into effect on or about 1 October next following the raising of the power pool above the Barnhart dam, which is scheduled for the 1st of July.

The item under the Yukon and British Columbia rivers studies remain at the amount provided for last year.

The funds for the continuation of the studies of the regulation of the levels of Lake Ontario are reduced to \$10,000 from \$25,000. The commission has already received the first of two final reports from the Lake Ontario Engineering Board, one dealing with the regulation of the lake and the other, which is yet to be received, dealing with the effects of Gut dam. This item will be dropped in the 1958-59 estimates, as having been completed.

I would also draw attention to the reduction of the costs anticipated in the studies of air pollution in the Detroit-Windsor area from approximately \$62,000 to approximately \$21,000. The studies necessary to complete the report of the technical advisory board on air pollution are now nearing completion and the funds requested during this year are principally to provide for the compilation of data and the revision of previously compiled information to ensure the correctness of all pertinent data.

The requirements for the mid-western watershed reference are reduced this year from \$10,000 to \$5,000 in consequence of the completion of sections of the engineering studies. The commission has now under discussion a further interim order on the apportionment of the waters of the Souris river. This will be explained in detail later under that heading.

An important service being carried out for the commission under another vote relates to the Columbia river reference. These studies are largely being conducted by the Department of Northern Affairs and National Resources. It is therefore more convenient to place the administration directly under that department and this arrangement has been in effect for several years. The commission is consulted on the use of the funds in question.

The total expenditure proposed for authorization by parliament for the commission's investigation under the Columbia reference amounts to \$270,000 approximately, which is a reduction over the years of 50 per cent as the work of getting all this data required comes substantially to completion.

With your permission, Mr. Chairman, may I now turn in more detail to the progress of the commission in its various studies.

I propose to take the project in sequence from the Atlantic to the Pacific and I start with our project furthest to the east, Passamaquoddy.

*Passamaquoddy Tidal Power Reference*

Under the reference from the Governments of Canada and the United States of 2 August 1956, the commission was directed to determine the estimated cost of developing the international tidal power potential of Passamaquoddy bay and to determine whether this cost would allow hydro-electric power to be produced economically. Also the commission was directed to determine the effects which the power from this project might have on the local and national economies and to study the effects the structures might have upon the fisheries in the region.

To this end the commission established two technical boards, (1) International Passamaquoddy Engineering Board and (2) International Passamaquoddy Fisheries Board. The Canadian government undertook to provide a total of \$300,000 to cover Canadian expenditures in relation to all aspects of the studies; because of the particular importance of the Canadian interest in the fisheries most of the Canadian effort will be concentrated on this aspect. The United States assumed a financial commitment of \$3 million, most of which will be devoted to the engineering studies.

I would mention that if the project proves feasible and is carried out, it has been agreed that the funds used in the present investigation will be credited to each country in the amount expended.

The commission visited the area in June of this year and saw the successful accomplishment of test drilling operations in the sea bed in deep fast water of the channel where dams are required. Joint discussions were held with the engineering and fisheries boards in regard to their programs and in particular in respect of matters of joint interest to both boards where appropriate arrangements were made.

The fisheries board will devote close and continued study to the movements and habits of the fish life both in Passamaquoddy bay and in adjacent waters of the Bay of Fundy where it appears the herring spawning beds are located. The closest cooperation between the fisheries and engineering boards is necessary in this investigation.

The technical studies are due to end in October 1959 and they are advancing satisfactorily. In a complicated investigation like this one, there may be some difficulty in bringing matters to completion by the target date which has been set but I am confident that the studies are being advanced as rapidly as can be done effectively. The engineering board has already selected a plan of development to form the basis of their studies and the fisheries board are studying this plan now to make sure that this proposal is not any less favourable to the fisheries than other alternatives. I may mention while there are other fish too, herring is of predominant interest in that its habits may be interfered with by the dams required for the Passamaquoddy project.

I have large-scale coloured plans to illustrate these projects which can be put up if a member wishes to see them.

Meanwhile we are planning to set up a team of experts headed by two economists from the University of New Brunswick to determine the effects which the tidal power project might be expected to have on the economy of New Brunswick and the maritimes, both during construction and after power has started to flow from the generators.

That investigation is being sponsored for the commission by the Department of Public Works. We also have the primary unit details for the turbines and



generators of the Passamaquoddy project, and the conclusions as to the type of turbine, the rate of revolution and the capacity of the individual units.

I might mention, just to give a sense of proportion, that in the plan of development, which has been suggested for further study by the engineering board, there would be 30 power units with a combined capacity of 300,000 kilowatts, and the average output has been calculated at 1.7 billion kilowatts per year. This would mean that the 300,000 kilowatt units would be working at a mean capacity factor of about 67½ per cent.

The CHAIRMAN: Mr. Macquarrie, do you have a question?

*By Mr. Macquarrie:*

Q. Just for my own information, who are the two economists to which you referred?—A. I cannot tell you, sir, because this is under the arrangement of the Department of Public Works. At the moment they are consulting, in an endeavour to set up this board for us.

General McNAUGHTON: Is it proposed to use these charts for further explanation?

The CHAIRMAN: Gentlemen, before we get too far into this, it just so happens that Mr. Herridge is going to be hurried for time. I think the committee will cooperate with Mr. Herridge and myself in order that we can study the points with reference to British Columbia today. That would suit Mr. Herridge and I do not think the rest of the committee would mind very much.

Some Hon. MEMBERS: Agreed.

Mr. HERRIDGE: I appreciate that very much, Mr. Chairman.

*By Mr. Montgomery:*

Q. I would like to ask one question, if I may, concerning the Passamaquoddy project. Did you say that the survey has not yet gone far enough to indicate if any damage would be caused to fisheries or not? Have they discovered the herring beds yet? Do they know where the herring beds are?—A. I would not say that they have discovered them conclusively, but the fisheries experts have told us, with some certainty, that there is no spawning inside the bay itself. The immature fish, when they hatch, and the food on which they subsist and grow are both brought into the bay by the tidal currents. This is a very important fact. The experts lay very great emphasis on having got that information. I think everybody connected with this investigation had a feeling that this project would be disastrous to the fish, but the more we have proceeded with the studies the more it seems that it could be done without undue detriment to the fish life, provided that the kind of precautions that the fisheries authorities have in mind are carried out. I will not say that it is a conclusion. It would be wrong to convey the impression that it is a conclusion. It is merely a feeling that it is something that can be overcome, if for other reasons the decision to go ahead with the project is taken.

I would say that this commission has done certain studies, in the Passamaquoddy area, which have been reported previously and show very conclusively that this large amount of power in the tides is in fact present—it is there. It is no dream to talk of these hundreds of thousands of kilowatts of power in those tides, they are there and present. As far as the electrical machinery to get it out, and as far as the arrangement of machines to partially equalize the rate of delivery, I believe that there is no question at all as to whether we can get over all those features. The great problem that faces us is the actual work of construction, the actual question of building these great dams in these vast rips of tidal waters. We are up against the

problem of building great works in the midst of that tide of 12 knots, in depths of water that run up to 200 feet at high tide, with something of the order of 50 to 70 feet of marine clay at the bottom I think that our engineering friends who are doing this engineering investigation will probably have to come up with some very novel ideas before we can see our way through to an economical solution of that problem there. I do not want to hold out too much hope, because I think realistically that we must know that these are immense problems that have never been solved.

I would say that, as a result of my talks with the engineers and my visits with them, everybody is approaching these things in good heart, and they are determined to produce for the commission, and for the two governments, a completely objective report on the matter, neither pro nor con. It will be a factually correct report. It will then be up to the other authorities to take charge of the matter from there on to see whether we are actually going to build these works or not.

Q. After the survey will we know that it is not likely to be an engineering impossibility, but that it may be economically so expensive that it will not be feasible?—A. That is quite right. Our early estimates on the cost, based on some of the early investigation, ran into something of the order of seven to ten mills at the Passamaquoddy sites, and in some cases, some estimates went a good deal higher than that. Those were projects of ten or fifteen years ago. The cost today would be 50 to 75 per cent more and perhaps higher than that. The hope is that it will be modified by the application of these new methods of geological surveys, and geophysical surveys, which show it for the first time. For the first time we have methods that really tell the engineers what the bottom is like. It is no more a case of putting down a few holes in these deep channels. They have methods of measurement, geophysical methods which give a precise indication of the problem we have got. So in place of picking a site for a dam more or less at random, which was the case before, in earlier days, and putting in all sorts of factors for safety, the engineers will be able to pick this time with precision. The hope is that by a judicious selection these costs will come down.

Mr. MONTGOMERY: Thank you very much.

*By Mr. Kucherepa:*

Q. We will return to the item.—A. Entirely at your service, gentlemen. Pull up any item you like, and we will try to answer it.

Q. I wish to accommodate Mr. Herridge.

The CHAIRMAN: While General McNaughton was making this explanation, I was wondering if it would be wise now to complete the Passamaquoddy questions and answers, and then take up the British Columbia end of the matter, for the benefit of the British Columbia members who are here.

The WITNESS: We can do that; we can take that right after this.

*By Mr. Kucherepa:*

Q. In the third paragraph on page 4 it says:

I would mention that if the project proves feasible and is carried out, it has been agreed that the funds used in the present investigation will be credited to each country in the amount expended.

Has there been an agreement, a basic agreement, on the division of costs of such a project?—A. No, there has not. Perhaps this arrangement, of not underwriting the defensive aspect of the Canadian investigation, and not extending ourselves too much into expenditures at this time is due to the Scottish thrift of the chairman of the Canadian section. If it proves out all right, then

we have not lost anything. If it does not, then we have not spent a lot of money we want for something else.

Q. There is a difference in the proportions; the Americans are contributing ten times as much, are they not?—A. Yes.

Q. Would that same principle apply if we were to begin construction?—A. We have made it very clear that there is no commitment as regards division of the result. It is a purely engineering investigation. The question of allocation as between the countries, and the allocation of costs, will be something which is met at the time by those who have the facts before them.

Q. In previous circumstances where we have dealt on a cooperative basis with the United States, what has been the allocation of the costs principle? Has it been based upon direct benefits to industry assessments, or what has been the basis of allocation?—A. There has been no general rule in regard to the application, because in every great project we have dealt with the considerations have been so different. And the commission has usually been requested by the two governments, alter our studies, to make a proposal of how this matter might be handled equitably and that would, I take it, be the intention of the governments when they get a report. And if they should decide between themselves in the diplomatic field to go ahead with it, it would come back to us again with a specific proposal as to how to set about doing it, and to report, and work out the new arrangements just as we did on the St. Lawrence.

Q. Have you any methods of estimating the cost benefit ratio?—A. The cost benefit ratio is one which is worked out as a matter of routine on every project that comes up. Fortunately, in working on benefit cost ratios, we have very little difference of opinion with our American colleagues. We have a very elaborate system laid down as to what goes in and how it is used and so on.

Q. In the past, what basis has been considered to be feasible in this regard? What is the ratio? Is it one-to-one, or one-to-two or one-to-five?—A. The way the benefit cost ratio works out, after you have made due allowances for what might be described an ancillary benefits give them perhaps an arbitrary value in terms of dollars and cents. If you get above one, it means it is a beneficial project. And when you get into the hydro-electric field you usually expect to get something like 1.3—30 per cent better than one, or something much higher than that. Some of them are of course, very large.

*By Mr. Montgomery:*

Q. May I ask this—and I do not know whether it is a proper question, but I know General McNaughton carries a very wide range of knowledge. This is a little different proposition than usually you find in a water-power situation, is it not? Has the United States any more claim to the water that may develop this power than Canada has, or does the three-mile limit or the twelve-mile limit come into the matter at all?—A. No, not at all. As a matter of actual fact, the area of the project in Canada, if we were to look at it from the point of view of area—and we are looking at this map—the lighter area is the Canadian portion of the pool and the darker blue, down here on the map, is the American portion. The international boundary runs right down here, on the map.

So that I do not think you can work it out on any basis of area or head, or anything else. I think it has to be looked at from the point of view that this project would only be possible by an equality of benefit between the two countries. In other words, it is inherently a 50-50 project. Unless one side should wish to contract out altogether, which is unlikely, that would be the situation.



Q. Thank you very much.

The CHAIRMAN: Then, are there any further questions on the Passamaquoddy tidal power reference?

*By Mr. Montgomery:*

Q. Does the St. Croix river come into this at all,—the flooding of the lakes at the head of the St. Croix river?—A. No; I did not deal with the levels in this report but I will be glad to answer that question. The regulation of the lakes in the headwaters of the St. Croix is now pretty well established. The foreshore that had been flooded, has substantially been compensated for.

Q. I know about that. I have land on one of the lakes; but I was wondering if this would be a means of raising the water above that?—A. No. The engineering board, after a thorough study of the matter, have reported that the maintenance of the level laid down in the existing IJC orders is what they recommend. And that is very fortunate. The principal concern in the St. Croix, of course, is—it is partially power and more importantly the cleaning up of the pollution, which is an international responsibility; and to make sure that the province of New Brunswick shall have whatever heads are left over unappropriated.

Already the engineering board have recommended that the head at Milltown, which is the lowest of the sites, should be allocated to Canada, and we advised the New Brunswick government at once of that recommendation. The private interests concerned have been bought out and the site is now in the possession of the New Brunswick Electric Power Commission, and it is perfectly free. It is not a large site. When we get to the Columbia we shall be talking about thousands and millions of kilowatts, but this site involves only about 10,000 kilowatts.

We are not too well off for power in the maritimes and every little bit helps. We determined that we would not go on with this unless there was a balance of power. The two principal sites belong to the Americans and have done so for many years. There is no disposition to throw them out, even if it were agreed. It is something which has passed into their hands and we must grin and bear it. The great thing for us is to learn the lesson that if we do not use our water resources then we are going to lose them. So we want to save what we can out of it.

A point about the St. Croix which is of greatest interest to all is that we have to clean up the pollution and to restore one of the finest salmon rivers on the Atlantic coast.

The CHAIRMAN: Are there any other questions on the St. Croix river?

*By Mr. Kucherepa:*

Q. What is creating the pollution on the St. Croix?—A. Pollution on the St. Croix is created largely by waste from the pulp mills, the lignin, and things of that sort. Most of those mills are American mills which have been operating there for many decades.

*By Mr. Montgomery:*

Q. They are near the mouth of the river?—A. No, they are further up. The pollution near the mouth of the river that we are interested in is to a considerable extent domestic pollution which interferes with the shell fish beds, lobsters and that sort of thing. I cannot tell you very much about it because I have not got the report yet.



*By Mr. Kucherepa:*

Q. Would not the provincial authorities have control over these matters?—

A. No. The commission has direct responsibility under the treaty of 1909 article 4, which reads as follows:

It is further agreed that the waters herein defined as boundary waters and waters flowing across the boundary shall not be polluted on either side to the injury of health or property on the other.

That is the last sub-paragraph of article 4 of the Boundary Waters Treaty of 1909.

This St. Croix river is a boundary water; the boundary runs down the middle of it, and in consequence this treaty is what rules. It is the same as the St. Lawrence.

Q. What enforcement power does the commission have?—A. The commission has no powers of enforcement directly. After we had a bit of experience in trying to think about these matters of pollution and their enforcement, we decided we would advise the government not to give us any powers of enforcement. We felt that if we were to make the progress required here as well as in connection with the channels of the St. Lawrence and other places where we are engaged in pollution study, we would have to do several things and things that we could do very usefully.

We would have to investigate, study and arrive at a set of criteria which would be reasonable for control so that you could say whether the water was being polluted to the harm of the people and the interests or not; and then we should be empowered by the governments to hold a watching brief over particular waters which have been brought to our attention, and should we find pollution when we are checking these waters which come under our jurisdiction constantly, we should bring it to the attention of the authorities concerned. The point is that we should give the matter strong publicity and through the forces of public opinion set the matter right.

We have had great experience in the St. Lawrence and we shall turn back to that I hope before we are through. We have investigated the pollution of the connecting channels of the great lakes. As a result of that—as a result of powers of that sort—if you should ask what ought to be done in the public interest, I would say that it would be the pointing out of offenders and drawing the defection from duty to the notice of the competent authorities who have legal responsibility under the British North America Act. We are dealing with these matters and we have been able to make immense progress.

Q. Who are the competent authorities to which you have referred?—A. In the case down there, if the party were in Canada, it would be the province of New Brunswick. When it is a question of boundary waters it is partially New Brunswick and partially the federal government. The whole thing though is not as simple as that.

In connection with the channels of the Great Lakes it is the definite responsibility of Ontario and we have had the greatest cooperation from Premier Frost. He introduced a bill setting up a commission under Mr. Snider which works very closely with us. They have the opportunity to solve the only part of the problem which remains to be solved and that is the municipal one.

We have also got the cooperation of the industrial interests concerned in the matter. Many millions of dollars have been spent in cleaning up various matters which we have drawn to their attention. It has been a very interesting experience to work without any power of compulsion whatever other than that of public opinion, and it has been very effective.

Q. The province does have the power to enforce regulations against pollution?

*By Mr. Patterson:*

Q. Have you found the general reaction of the industry concerned to be favourable to your representations?—A. Yes sir. At first we were met with a good deal of hostility as you may well imagine, because in our first report we indicated something over \$140 million had to be spent to clean up the situation. But the various industries, including the distilling industry which pours a lot of waste into the river, realized that they are dependent on good public relations so they do their best when they are in default; they do the best they can to get out from under that default as quickly as they can. So far we have only had to draw but a few problems to the attention of industry and we have had reports come to us voluntarily in scores of cases indicating immediate attention. It has been a very satisfying experience.

*By Mr. Cannon:*

Q. In connection with the St. Croix, I understand there are paper mills there which have been installed for several years.—A. Yes.

Q. And it has taken some time I understand to improve the situation to the extent that it is in now, in cooperating for the elimination of these wastes because of the paper mills. A method has been developed recently to use lignin for industrial purposes.—A. That is right.

Q. So it should be comparatively easy to convince them to do it, because of this new development.—A. You would be asking me to look into a crystal ball at the moment because the report that I referred to will not be issued until the 15th of this month. The commission will then give it public circulation. We shall go down to the St. Croix basin some time early in February for a public hearing and if history should repeat itself—and I am sure it will—I am perfectly convinced that we shall hear a lot of bleating from the pulp and paper interests to the effect that they have vested rights which did not come from the various governments or the commission. But the authority is already stated in the treaty.

Q. So that situation has not been cleared up yet on the St. Croix river?—A. It is in the process. The rest of my remarks were directed to whether we have had experience, and then in connection with the channels of the Great Lakes.

The CHAIRMAN: Shall we now turn to page 26, the Columbia river reference which will lead into the British Columbia problem?

The WITNESS:

*The Columbia River Reference, 1944.*

*and*

*U.S. Libby Dam Applications, 1951 and 1954.*

The directions of the governments of Canada and the United States to study the Columbia river were given in the reference of 9 March 1944. This reference concerns the Columbia basin as a whole. Before the studies were much advanced the disastrous flood of 1948 occurred causing extensive damage throughout the basin particularly on the Kootenay in the vicinity of Bonner's Ferry in Idaho.

In the light of this experience the U.S. government sought to expedite consideration of the Kootenay and the International Joint Commission was requested to make a special interim report on this tributary with a view to reaching conclusions as to the dams which might be constructed and which would be particularly useful for flood control.

These studies as they were carried out were defective and incomplete in that they did *not* in fact include possible uses of Canadian flows in Canada which have since been shown to be very valuable to Canada. The engineering report to the commission was said to be based on ignoring the boundary in the interest of "the best overall plan of development" that is one which would provide maximum advantage to the basin and on an understanding that if projects of advantage to the U.S. were favoured the U.S. would make due recompense to Canada so as to arrive at an equitable division of benefits.

The report recommended the construction of a large dam at a site near Libby, Montana, which would flood into Canada to the tail water of a dam to be built above the junction of the Bull river and the Kootenay. This would be a very advantageous arrangement for the United States because when Bull river dam came to be built it would place about 3.0 million acre-feet of storage in support of the already large storage proposed for development at Libby, the two storages representing almost complete regulation of the flows of the Kootenay from above the boundary in Canada, principally to the advantage of the United States.

Without waiting for the Columbia Engineering Board's report even to be placed before the International Joint Commission, the United States agencies took the proposals straight to Congress, thus by-passing the commission and quoting the engineering board report as authority on which to rely for Canadian acquiescence. The board's report never was approved by the International Joint Commission for the reasons I have mentioned earlier. However, Congress promptly approved a project estimated to cost nearly \$300 million and ever after on this basis the United States section of the commission has referred to Libby as an "approved project" and intimated that the Canadian section of the commission should acquiesce in the project precisely "as it is presented in the application of the United States, but not otherwise".

The first United States application to construct this dam, filed on 12 January 1951, proposed that the dam would be of such height as to flood to a depth of 150 feet at the boundary, thus appropriating this added Canadian head to the United States. The resultant reservoir would flood back into Canada a distance of 42 miles thereby substantially appropriating also to the use and benefit of the United States this large area of river bottom land in British Columbia and severing a number of established communities by a section of reservoir which would be raised and lowered by up to 150 feet thus making intercommunication by road or ferry very difficult if not entirely impracticable.

The application stated that as recompense to Canada for these very valuable privileges the United States would bear the costs of clearing and would also compensate British Columbia and various interests in Canada for the cost of the land and of the needed highway and railway relocations and the like including resettlement and rehabilitation of displaced persons. The commission was informed that no charge would be made for the benefits of Libby storage to the Canadian plants on the West Kootenay but this was a minor advantage unless a very expensive and unrequired redevelopment was carried out.

Thus instead of providing substantial benefits to Canada it was evident the United States contemplated little return to Canada over the bare costs of out-of-pocket expenditure required for the acquisition of land to be flooded, for relocation of facilities, and for resettlement, etc.

In consequence of damages anticipated to forest, mines and railway interests which would be adversely affected, objections were raised in parts of the United States and opposition to the United States proposals developed. In the result for these reasons the application was withdrawn in April, 1953.



By a redesign in which the dam site was moved some miles upstream it appears that the United States agencies overcame the particular local objections and on 22 May 1954, a second Libby application was made to the commission.

In this the essential features of the previous application, insofar as the effects extended into Canada, were repeated.

However, by this time, it had become apparent that the United States views on recompense for Canadian resources in head and in flow would not represent an equitable arrangement.

By this time also the possibilities of the development of the Columbia river to the advantage of Canada were coming into focus in the light of engineering information obtained. The investigations established the practicability of diverting some of the flows of the Kootenay in Canada at Canal Flats to the headwaters of the Columbia thereby adding over  $\frac{1}{2}$  million kilowatts to installed capacity at mean flow on the Canadian section of the Columbia above Revelstoke; and if the Kootenay waters so diverted were continued on into the Fraser something more than another  $\frac{1}{2}$  million kilowatts would be added. By Article II of the Boundary waters Treaty of 1909 the right to make such a diversion in Canada was fully reserved.

In these circumstances on the second Libby application the Governments of Canada and of British Columbia reserved their positions pending the completion of the engineering and economic studies of the diversions. The United States statement in reply to the Canadian and British Columbia statements expressed "a favourable attitude towards provision of equitable recompense to Canada, through sale of power or otherwise, for the value which Canadian natural resources would have"; but explanations given by United States commissioners made it evident that the recompense which was in mind was to be determined in relation to the flows of the Kootenay in its natural channel. This would be a very minor compensation for the use which Canada could make of her natural resources by alternative methods.

May I insert at this point that the recompense figured on this basis represents a return of 7 per cent of the Canadian values.

From the foregoing it will, I think, be apparent that the United States Libby application is now closely linked with the study of the Columbia as a whole.

The position that Canada is entitled to make the best use of her resources has been maintained throughout by the Canadian section International Joint Commission. Proposals to give effect to this principle were presented in the International Joint Commission on 5 April 1955, after the matter had been fully discussed in this Committee on External Affairs of the House of Commons.

I cannot claim that these proposals were well received by our United States colleagues. This was perhaps not to be expected because the plan contemplates the use of Canadian resources in Canada for the benefit of Canada rather than that they should be permitted to pass to the United States to contribute to the economy of that country. However, at subsequent meetings of this commission increasing interest has been indicated and finally at the meeting on 4 October last it was agreed that these Canadian proposals in so far at least as the diversion from the Kootenay to the Columbia is concerned would be included in the studies being carried out by the International Columbia River Engineering Board.

In essence the Canadian section proposals reflect the position which has been taken consistently by the Canadian section, International Joint Commission that "recompense" to Canada for the provision of regulated flow would



need to be in terms of power determined by an agreement on the basis of a "fair bargain for the value of the services rendered". A bargain which indeed would be fair to both countries. These proposals represent a solution which is practicable and advantageous to Canada and British Columbia, and also, as I have said several times to this committee, they will provide the United States with great benefits, for due recompense of course, for Canadian resources; benefits of flood control and regulation for power, I may say, which they need most urgently and which it seems to us they will not be able to provide effectively in any other way.

The United States section has now asked for an early meeting to discuss these matters and this has been accepted to take place early in the new year.

I should perhaps mention that some months ago in an endeavour to make progress in relation to the Columbia and other rivers flowing across the boundary, and while studies continued in the commission, certain talks on the diplomatic level were instituted between the two countries. This is an aspect of course on which it is beyond my competence to report except that I would like to say that in these matters, as they have progressed, the Canadian section, International Joint Commission has, and continues to have, the opportunity to present information to the Canadian authorities concerned on relevant aspects of the matter.

Mr. Chairman, in this general statement I have not gone into the several projects in any detail as I thought that with limitations on time I had best leave it to the members to raise questions as indicated by their specific interests which I assure you I will endeavour to answer in all particulars so far as my competence runs.

The CHAIRMAN: Thank you, General McNaughton.

*By Mr. Herridge:*

Q. I want to thank the committee very much for giving me an opportunity to ask four or five questions that I am particularly concerned about because I shall not be able to be here tomorrow. I represent the riding which includes the greater volume in area of the water of the Columbia basin and the industry situated in that basin and I have been personally interested in this question. The first question is this: can you provide the committee with any information as to the progress that is being made with respect to the studies and investigation of the Columbia river basin under the terms of the reference?—A. Mr. Chairman, I indicated earlier that our vote is substantially down—to half the value—that indicates, gentlemen, that we are getting to an end on the Columbia. Now, in specific matters, the question of surveys. To cover the Columbia main stem and the tributaries with which we are concerned, we require a total of 97 sheets of which 66 were available and the remaining 31 we had hoped to have available this month. In fact we have to have one of the published sheets redone and thus we still have 32 to be received and of those, one is in the lithographing process and will be printed shortly; fourteen are being proofed and 17 are still in the process of being drafted. We found that the priorities which we had obtained had been taken away from us for another reason and only today we were endeavouring to get these priorities restored.

*By Mr. Stick:*

Q. What priorities were taken away and now are going to be restored?—

A. Priorities for the production of these maps that you want.

*By. Mr. Herridge:*

Q. What further studies are required to complete the investigation?—A. Mr. Herridge, I would say, taking it first of all from the point of view of the general consideration of the problem, the topographical information, the hydrological information with regard to supply of snow cover, that side of the information is substantially complete as we stand at the moment. It is complete to the point that with very considerable confidence the engineers can select the actual process sites on which these great structures that will be needed can be built. We have not got the full studies that go with the drilling of the sites to determine how far it is down to rock and what kind of rock it is and so on. That information we have on a good many of the sites, but not all. Most of the dam sites have now been through what we call the consulting engineering stage. That is a requirement that has been specified under a firm of consulting engineers. They have made their study and have come up with a reasonably detailed and we hope reliable estimate of the cost of building these works. In those cases, that portion which was essential to that phase of the affected area of the site has been carried out.

Q. I should like to ask this question. It is of particular concern to people who live between the international boundary and Revelstoke. I have particular reference to reports in American newspapers that consideration in the United States was being given to the raising of the level of the waters of the Arrow lakes by 70 feet. This was discussed at previous hearings of the committee and in order to allay the fears of these people being expressed I wondered if the General could give assurance that the commission's plans do not contemplate the raising of the water of the Arrow lakes above the 1402 foot level.—A. The Canadian section of the commission has never agreed, as we said when we appeared before you last year, to any level on the Arrow lakes in excess of the flood level of 1402 feet. Actually with the restriction in the Nakusp channel, with which you are so familiar, there will be a slight backwater effect into the upper lakes and a few feet above that. But the average basic level for the Murphy creek project calls for flooding to a level of 1,402 feet and no higher. With a level of that sort, and with the development taking place at Murphy creek, the effective storage above Murphy creek would be in the order of about 3.1 million acre feet.

I think when I appeared before the committee last year I mentioned an estimate which had been given of 4 million acre feet, but the engineers, on re-survey, have scaled that figure down to 3.1 million acre feet. That is the figure which we have contemplated as being sufficient in all respects for all Canadian purposes in regard to the development of that river.

We must remember, Mr. Chairman, that this storage at Murphy creek is the lowest of the Canadian sites on the river. There is, in fact, only somewhere between 60, and occasionally up to 77 feet, of developable head at Murphy creek. Below Murphy creek to the boundary, our engineers have found no site practicable for construction. The only rock that we have available in that section of the river comes out at the Murphy creek site, and this is only on one side of the river itself, which we will use, of course, for the discharge. So that limits that development.

I say that we have no Canadian interests to be served by more storage than that, because the value of storage to a country is not only its amount, but the head through which it can be used. We want to take off the energy of the spring freshets and floods, and impound it and hold it, to release it later on. So it is the millions of acre feet in storage multiplied by the head in your own country through which it is used which gives the specification of the value of the storage to this country. Murphy creek to us is only worth a 60-foot head.

We have another factor I would like to mention before I go on to other projects that have been initiated elsewhere, and that is, that upstream the storage we contemplate for the construction in the Bull river-Luxor reservoir is 3.4 million acre feet and the Mica creek reservoir at 11.8 million acre feet in round figures. There are roughly 15 million acre feet in these two reservoirs, right on top of the watershed. If we carry out our plans in the future for these diversions, which are so tremendously advantageous to Canada, I cannot for an instant contemplate that Canada will ever give them up. The water supply of the basin is only sufficient, with that diversion, to fill these two storages. If we are to agree and enter a contract with the United States to fill the Arrow lakes storage, it can only be done by the sacrifice of what we already have for our own purposes upstream.

From the Luxor down through these various dams and power plants, that are connected to the tail water of the Murphy creek, we have 1,230 feet of head which is usable. The factor of value as between the watershed, and where we want to put it in the upper part of the watershed, and the storage of Murphy creek, is in the ratio of 1,230, or 1,200 in round figures, to 60. That is of the order of 20 to 1. In other words, the acre feet, as far as Canada is concerned, in the Bull river-Luxor-Mica system reservoirs has about 20 times as much usable energy in it as the same amount of water downstream has.

It may be that the Arrow lakes storage is a comparatively cheap storage to build. There is a beautiful lake and wide expanse which does not require a high dam to hold the level up. I do not suppose the people south of the line have much realization that Mr. Herridge and his compatriots in that vicinity, will be put under water as he has mentioned would be the result. That is not the view of the Canadian section of the commission, Mr. Herridge, I can assure you of that. The United States will look at it from an economical point of view, considerably different from ours. Because, as far as they are concerned, with another 1,288-foot head, of which something of the order of 1,208 feet will be developed it does not make a particle of difference to the value to them, whether we store the water just by the boundary or right at the top of the watershed. The value to them is measured by the head through which they use it.

*By Mr. Low:*

Q. Pardon me, sir, did you say 1,288 feet of usable head?—A. No, sir. The elevation at the boundary above the sea, is 1,288 feet of which, on the latest forecast, 1,208 feet is put down as a usable head which will actually have power plants in it and turbines. 1,208 feet is the figure we have been working on, by their advice.

Mr. Low: Thank you.

The WITNESS: It is rather interesting that the figure, from our high reservoirs to Murphy creek inclusive, is substantially the same figure—1,200-odd feet—that the United States have down below. But you can see why a storage at Arrow lakes is attractive to the United States. An acre foot is an acre foot, and as far as they are concerned, they could not care less. I do not blame them for it. This is probably as a result of the wonderful character of the lake—it is very cheap storage. In fact, we know it is cheap storage. They were very anxious to have us make a commitment, and will continue to press us to make commitments, in order to get electricity from there, and to inhibit the possibility of the Canadian pattern—using all the storage to our advantage. We have pointed that out in the commission, I can assure you, and we lose no opportunity of making that very clear—that we stand for the protection of Canadian interest in these matters, Mr. Chairman. It is very essential that we do.



*By Mr. Kucherepa:*

Q. General McNaughton, when the first Libby application was made to Congress whereby Congress approved a \$300 million project, what was the American figure on the cost benefit ratio of that project?—A. It is 1.2 something I think. I am afraid we do not have that figure here. I can look it up. I do not carry these figures too well in my mind. It is something of the order of 1.2.

To interject at this point, Libby is a very expensive project, in the result which the United States proposed to get out of it under any circumstances. It only has justification in the fact that it appropriates a 150-foot head which belongs to Canada, and it appropriates a wide section of our territory to their exclusive advantage, and denies us every privilege, and even harms the communities along that river. Libby is a project that has no advantage to Canada whatsoever.

Q. Have you had any engineering studies carried out in respect of the head waters of the rivers on the Canadian side, whereby we can develop sound cost benefit projects?—A. Yes, sir, that was one of the difficulties that we had in the commission. These are projects that are very, very large projects. They can only be expected to come into the public's attention at a time when the possibility of their developing is beginning to loom. We were not awake. In this business the Americans have been three or four decades ahead of us in their development, and became conscious of the value of the Columbia and, perhaps, in consequence of the knowledge of it they set out to take possession of as much of it as they could while the going was good.

*By Mr. Low:*

Q. And then they established what they call the "priority use base"?—A. That is right, sir.

Q. Since your last report to us, General McNaughton, how far have they gone in increasing that priority base?—A. Mr. Chairman, the fact that this matter received publicity, and the fact that parliament took it up, and the fact that it was widely discussed in your committee here, sir, and because you brought before you the law officers of the crown who could speak on the law—we do not pretend to be able to speak on the legal aspect of it—it has been established, by statements of the law officers of the crown, that on the strict letter, the United States have no rights.

That is not to say that in an equitable bargain that we are going to proceed ruthlessly to destroy by withholding water. That is not the way we do it. My own feeling of the business, after four or more years of the closest of investigation, is that there are enough benefits, and enough ways in which we can approach this problem. There are ways that we can solve it. We get a certain amount of benefit for ourselves, and there is another way in which we can get the same kind of benefit out of these resources, and still not hurt the Americans too much.

*By Mr. Low:*

Q. We do not mind, I would think, being put on a strictly competitive, strictly bargaining basis. But we do not like being pushed out altogether so that they get the full benefit of anything that really is ours.—A. If I may say so, I do not believe there is any occasion for our being pushed out, at all.

Q. Hear, hear.—A. Subject to one condition, and that is that we put our feet down and put our eyes level, and say, "This is what you said in the treaty; abide by it", and we will later see that they do not suffer too much.

*By Mr. Kucherepa:*

Q. Would you like to elaborate on what appears at page 29 of your typed statement regarding article II of the boundary waters treaty of 1909, so far as our diversion is concerned, if we are not going to do a joint scheme with the United States—A. May I read this into the record. Every word of it is significant.

The CHAIRMAN: Yes, do so.

The WITNESS: I quote article II, as follows:

Each of the high contracting parties reserves to itself or to several state governments on the one side, and the dominion or provincial governments on the other as the case may be, subject to any treaty provisions now existing with respect thereto, the exclusive jurisdiction and control over the use and diversion, whether temporary or permanent, of all waters on its own side of the line which in their natural channels would flow across the boundary or into boundary waters; but it is agreed that any interference with or diversion from their natural channel of such waters on either side of the boundary, resulting in any injury on the other side of the boundary, shall give rise to the same rights and entitle the injured parties to the same legal remedies as if such injury took place in the country where such diversion or interference occurs; but this provision shall not apply to cases already existing or to cases expressly covered by special agreement between the parties hereto.

It is understood, however, that neither of the high contracting parties intends by the foregoing provision to surrender any right, which it may have, to object to any interference with or diversions of waters on the other side of the boundary, the effect of which would be productive of material injury to the navigation interests on its own side of the boundary.

Now, in commenting on that, may I take the last paragraph first, that dealing with navigation. International navigation on the Columbia, and in consequence, on its tributaries, the great Kootenay, and others, was for all practical purposes eliminated by the United States in the construction of the dam at Grand Coulee. That was a unilateral action by the United States, themselves.

The government of Canada, in so far as that navigation aspect was concerned, so far as we can ascertain, was not consulted.

*By Mr. Kucherepa:*

Q. That was subsequent to the treaty, that act. We have redress, have we not? Do we not have any redress?—A. I am not a lawyer, and I have learned to be a little bit cautious about the expression of legal opinions, but I would think that we would have redress.

*By Mr. Herridge:*

Q. A new point—and I might say that I brought this point up in the House of Commons on many occasions—I have suggested that in view of the fact that when that was done, article II of the Oregon treaty of 1846 was violated, some consideration should be given to that fact when we are negotiating with United States authorities on the development of the basin.—A. If it is any comfort to anyone, I can say that those clauses of the

Oregon treaty are on my desk at this moment. And I look at them continually; and in any negotiations or any deal we are going into will be fully considered, they will be fully considered. That is a very live issue.

Q. I am delighted to hear that.—A. From our point of view, the great values are not in the navigation,—although in our project we will see to it, as we get to the stage where they are to be completed, that a provision is incorporated so that perhaps barge navigation in due course up this great Columbia basin may be possible, as an avenue of trade. For example, Murphy creek dam, when we called for engineering design I had the privilege of saying what the general specifications would be, and I said that the proposal being made would include a provision for locks for navigation.

I do not say that we can get a great deal of navigation, but we will protect the possibility of having it if we need it later on.

*By Mr. Kucherepa:*

Q. There are other aspects of the flow of the river which would be changed by the construction of the dam, are there not?—A. Yes, but perhaps I had better give a thumb-nail sketch of what happened there. The United States, having made up their mind that they were going to do this power development at Grand Coulee went ahead to build a dam. It originally had a head that would have flooded up above Trail. It was very forcibly represented that this was an encroachment on Canadian rights. The result of that was that the elevation of the dam was reduced to a point where only under certain conditions would water, backwater effects, extend up to Canada.

After the event, an application was made by the government of the United States to the commission for authority to carry out something which was already under construction—authority to operate it. And that is known as the Grand Coulee case.

The commission in due course did consider it, and the only part of which the commission took notice—or used its authority in the matter of jurisdiction and control vested in it,—was to provide that if backwater occurred at the mouth of the Pend d'Oreille river on the possible site for development which has since been developed at Waneta, then there would be compensation. The board was set up to keep track of the elevations in the river, and we are doing that to this day.

Q. Has Trail suffered any flood loss since the construction of the dam?—A. The backwater does not extend north up to Trail. It does extend into the tail-waters of the Waneta plant. As and when there is damage, Cominco will be compensated; no doubt they will be compensated for it.

The CHAIRMAN: Before the committee goes any further, we will Recess while the vote is being taken in the chamber of the House of Commons, and we will re-assemble at the conclusion of that vote.

—The committee recessed.

The CHAIRMAN: Gentlemen, we now have a quorum and we shall proceed from where we were interrupted by the bell for the vote in the Commons.

Mr. KUCHEREPA: We were on article 2 of the 1909 treaty, I think.

Mr. PATTERSON: They are in committee now, so there won't be any bell.

The CHAIRMAN: I would like to ask Mr. Herridge if he would mind asking his questions now so that we could get them disposed of at this time because he has to leave tonight.



*By Mr. Herridge:*

Q. Thank you very much. I was very glad to hear the General's assurance that the level of the Arrow lakes would not exceed 1402. That is of great importance to these people. It means a Canadian condition where there is no need to flood our beaches or destroy our industries along the lake. I am sure they will be very pleased to have that reassurance.—A. I think I have arrived at the point where I should qualify. I was expressing the views and the assurances of the Canadian section of the commission, and I repeated what I said in this committee last year that we believe 1402 to be correct.

For the reasons I outlined there has been a drive to raise the level to a total of about 1450. Knowing that Mr. Herridge was good enough to let me know that he wanted the information on this point—I brought some maps of the region to let the members of the committee see what these two levels looked like. So if you can see what 1402 means it means no real damage at all over the ordinary flood lines of high water.

But the other one is a pretty drastic level, and that is the level which it appears certain interests down stream would like to have brought into effect, if they were to secure the authority from Canada—Canada would have to give them that authority—they would get a total storage of about 7 million acre feet on the Arrow lakes.

It is of tremendous value to the United States, and there is, in consequence, tremendous pressure being exerted in favour of it. Of course we are most anxious to take the sense of public opinion in the matter and to be sure that we have all interests in mind so that when we say we object to it we are speaking for all general interests in Canada. That is the situation as it stands.

With respect to the map before you, the yellows represent—this is just about Castlegar, about section 8, where the Arrow lake dam would be built if it was ever built. The yellow is the foreshore which would be flooded to 1402 as it is now every spring anyway. The brown represents a further flooding. I shall run through it quickly.

Q. The browns represent the levels proposed by these other people?—A. That is right.

*By Mr. Patterson:*

Q. What level is that?—A. About 1446. This is the section of the river—there is Nakusp—I only picked a few charts to bring here.

Q. All that good land would be flooded completely, would it not?—A. Yes. There are 7 million acre feet which would be a plum to the downstream interests. I repeat again that if that storage were to be built or filled and the plans carried out, we would not be able to put water on top of the water-shed where it is of great value to Canada because there would be a prior commitment with respect to it.

*By Mr. Montgomery:*

Q. It would be of no particular benefit to Canada to do it this way, but only to the United States.—A. That is right.

*By Mr. Herridge:*

Q. That is the main point you make.—A. Yes. It is the loss of land, and the putting of our territory under water. It is not like a level which remains stationary and where you can build wharves or commute by means of ferries across the river. This level goes up and down by over 70 feet.

*By Mr. Montgomery:*

Q. Just like the Bay of Fundy.—A. That is what we have been asked for.

The other question asked by Mr. Herridge was one which I could not promise to answer or dispose of. It was a question concerning legal responsibility. As I said, I am not going to rely on my own views as a lawyer because I am not a lawyer. However, I do rely on the views expressed by the law officers of the crown in this committee a year or two ago when the deputy minister of justice, Mr. Varcoe, and the legal advisor of the Department of External Affairs, Mr. Wershof, appeared before this committee and in the course of their testimony expressed opinions as to the legal rights in a Canadian court of a party in the United States who claims to have been injured by an obstruction or diversion of Columbia river waters in British Columbia.

As I recall their testimony, it was to this effect: first, the injured party is assured access to the Exchequer Court of Canada in order to have his claim determined; second, once before the court, however, it is not clear just what his rights would be. This for the reason that under the British Columbia Water Act, the ownership of all waters is vested in the crown and no one can acquire a right to use the waters, except by a licence issued by the British Columbia government.

Since an "injured party" in the United States would have no such licence from British Columbia, presumably he would have no rights under the British Columbia law, and consequently he would not be entitled to an award of damages for breach of these non-existent rights.

I am not a lawyer, but this is my understanding of the opinions given by the law officers previously. We will not be certain of the position until an actual case has come before the Exchequer Court for decision.

I have indicated that as long as we can work these matters out by adopting projects which are acceptable to the country in which they exist—in other words, not including projects such as this of the higher Arrow lakes storage that Mr. Herridge has indicated would be very objectionable—but a group of projects which are acceptable to the country, I am sure that we do not need to go to law at all because we have it in our hands and within our possibility to effect tremendous benefits to the United States without doing any harm to our own interests there, and without compromising the rights of Canadian citizens to those great resources which are in Canada.

I think that in the end the way this will be settled—at least I hope it will be settled—is that we shall be able to reach a reasonable position and make a reasonable offer, and if it is accepted, it would be incorporated in a special treaty which would govern. But at the moment there is very little disposition to talk in terms of equitable arrangements between the two countries.

As I said, under the directives of the Columbia Reference we and our American friends were supposed to choose for the use of waters at an early date so that the results would be to the best advantage of both parties; and in order to protect the rights of Canada we have had to insure that projects benefiting Canada would be included. This has been resisted, and unless there is a change of attitude all around, I do not believe we are going to make very much progress. For example, in the discussions in the commission, my United States colleagues have refused to discuss some questions relating to diversion of waters, relying upon a narrow interpretation of the terms of reference and saying that we are not competent to discuss a diversion to the Fraser and the events that would go with it. They are willing only to discuss a diversion to the Columbia—of the Kootenay into the Columbia—and that is now going on in the engineering committee. Unless we are able to persuade them, or unless

the governments will discuss and consider the uses from the best point of view for Canada and put that value on them, we are not likely to make very much progress. I am very glad to have had the opportunity of bringing out this point as we have been stalled for the last three years.

*By Mr. Herridge:*

Q. No doubt you have heard of these proposals by certain United States senators for a joint authority to develop the water resources of the Columbia basin in toto and administer them. What is your opinion of those suggestions?—A. That is a proposal which acquired the name of integration. It means that the great resources of the Columbia river and the Kootenay river and the storages would be brought under what would be in effect a joint management of the resources in the Columbia river lower down. The result would be that when power became available it would be made available to the first customer who came along and that would most certainly be a United States customer. Gradually all the power of Canada and the contributions which Canada can make would inevitably be diverted into the building up of an economy south of the line, and when we came to repatriate those powers we would find, as on previous occasions, that it is impossible to do so. While in that way you may make the greatest possible development as a whole, yet you would be having the peak in use south of the line and very little in use in the north.

Gentlemen, divine providence has been extraordinarily good to Canada in the resources of British Columbia. We have these great river systems, which are indicated on the chart and which should be read in conjunction with the profile showing the altitudes. By bringing the Kootenay waters into the Columbia, as a first instance, and then bringing those waters down into the Fraser, we can lay out a program of development of power which we think would look after the interests of the lower mainland and the south part of the island for perhaps three decades. The forecasted power supply, by any of the experts out there who are good at forecasting, is that the power would be reasonably cheap to begin with and would be getting cheaper year by year as we proceeded with these matters. There would be no purpose, of course, in that great development, of making these diversions from the Columbia river into the Fraser river until we had plants in the lower Fraser to make use of them. That will come as a matter of course shortly. I am convinced that the people are realizing in the Vancouver area that the thing which is standing in the road of cheap power is the development program on the Fraser itself.

Today in the Vancouver area it is an astonishing statment to make that the housewife has to pay twice as much for power as do the people in Seattle. That is because we have been pushed away from the Fraser further up north, making us go into transmission costs and so on. If we do these developments ourselves, we put ourselves into a position that when the Peace river power has come in, and what is perhaps more important when the Liard power becomes available, we have something to integrate with in our own country. If we do not hold on to our Columbia, Fraser and Kootenay and do these developments ourselves at this time, it means, when these further powers in the north are available, that these may well slip out of our hands also. into the service and into the economy of another nation. I think that this is a very serious matter to be borne in mind by all of us who have to do with these great resources. Once they are lost we never get them back.

Q. You mentioned the power possibilities of the Peace river and the Liard. Generally speaking most people have only become aware, in recent months, of the possibilities there. What knowledge has the commission had of these possibilities prior to this?—A. Mr. Chairman, we have made it our business



in the Canadian section of the commission to know as much as we could on the basis of general reconnaissance what sort of resources existed. These resources were disclosed in the Wenner-Gren proposals and some other proposals and they are not news to us. We have not had occasion to say very much about them in public because we have naturally been concerning ourselves with dealing not with resources which are well back into Canada, which we control, and which there is no danger, in the immediate future of losing, but we have been concerning ourselves with the developments of the things which we might lose such as the effects of the Columbia, the Kootenay, and these other powers which are close down to the frontier.

I have used strong language in respect of the integration, but we have contemplated we should do these developments ourselves and that there should be a good neighbourly relationship between the two countries worked out. For example there should be a movement of interconnection, not integration, so that one country from its abundance can supply the other in a case of disaster, or in the case of surplus power being temporarily available in one country and a shortage in another. We can do a certain amount by balancing off, by supplying power one place and taking it in in another to balance the load just as we have been doing between Canada and the United States in the Niagara river. When the American plant slipped into the river, the Ontario Hydro came to the rescue and two lines were slipped across. Immense supplies of power were put across the line until the Americans are able to get their plant built. Similarly when the Richard Hearn steam turbines blew up, the Niagara Mohawk Company sent power and kept us out of difficulty. Those are examples of good neighbourly relations. There is no unbalance, and over a period of years there is no export of power one way or the other to another country. You need your full resources.

*By Mr. Patterson:*

Q. You referred to the Wenner-Gren situation. Did the proposed plans for the development of the power on the Peace river by the Wenner-Gren resolution have the effect of minimizing the need for an early settlement of the downstream benefits between the United States and Canada relative to the Columbia river.—A. One has a little difficulty in giving a specific answer to the question. We have so far not been able to get a really close estimate of what the Wenner-Gren costs would be. If the suggestion is that this power can be delivered into Vancouver at an economic rate competitive with the six-mill power from the gas turbine plant or the new steam plant there then it could be construed as taking some of the heat off the present situation.

The dam which is contemplated would have a transmission distance of somewhere between 600 and 650 miles and that is a long distance. While it is a long distance transmission, it is not so much the question of line losses which governs as the question which is known as system stability. You are trying to operate machines turning over to make a 60 cycle current at the channelling station and you are trying to have other machines rotating at exactly the same speed and if they get the least bit out of phase—if they get a little bit indeed out of phase—the forces of the electric current hold them completely out of phase and that is what the electrical engineers call system stability, and it is difficult to get over that disadvantage in lines of that order.

I had a long talk with the chief engineer of the British Thomson-Houston Company (Canada) Limited who were doing the surveys and plans, and he feels that if this project was tied in through some of the generating stations that we have planned, so as to give a distributing capacity along the line, that this question of system stability might be overcome. But even so, that means the building of these Fraser river plants.

*By Mr. Patterson:*

Q. The question of stability is a greater factor, a more important factor, than the loss occasioned through transmission?—A. That is right. It is something that has got to be made to work or you get no power. In any losses, you can push your losses up to 10 or 15 per cent and still get a lot of power. I would like to say this: that their estimate of 4 million horsepower—they expressed it in horsepower—I would say, is a moderate estimate of the potential of the Peave river canyon, the Finlay and the Parsnip rivers brought together in this great reservoir. It is a moderate estimate. Our figures are a good deal higher. I cannot give you anything definite on costs in Vancouver.

Q. I think you intimated some time ago that at the present time the Americans are not giving too much cooperation in the matter of settling this down-stream benefit proposition; is that right?—A. Mr. Chairman, we really have nothing positive to go on as to what the Americans are willing to offer in the way of down-stream benefits and the assumption is that unless we have a means of developing and using these flows ourselves, we will get nothing more than bare expenses at the outside. For example, it has been indicated—although again we are not dealing with positive statements—that the United States would be interested in having the Mica creek dam built and they have given an indication that they would be willing to share the cost of the dam and the reservoir on the basis of the value of those particular regulations to Canada and to the United States respectively. Now that means, since there is roughly 1,200 feet of head in our country below Mica creek, the cost of Mica reservoir would be shared fifty-fifty.

Q. Well then the situation would appear to be that until Canada gets desperate for power, and in such a position the Americans could exert tremendous pressure, then they are going to see that they are not going to force the question of a settlement of down stream benefits?—A. I do not think it is as simple—how shall I put it—

Q. Perhaps I did not make myself clear on that. Hoping to strike a better deal, our American friends are going to wait until we are desperate for power and then come into the picture and agree to some settlement?—A. That is right. We are not in that position though at the moment. We think while there are a number of sites, they are not altogether cheap sites. We have the Chilco as a possibility and Homathko, the new Bridge River plant coming into operation shortly, a gas turbine plant in the course of construction and a new steam plant is announced. And so the emergency of a possible power shortage in Vancouver appears to have been taken care of at the moment. On the United States' side they have been equally energetic in getting their house as far in order as they can. From the information available they have the situation in hand until about 1965. But surely in the long run the advantages of our storage—in fact the Canadian storage seems to be the only way in which they can solve some of their future plant-regulating problems, and perhaps even more important, provide the flood protection which the rapidly developing industry in the lower river demands. By their own statement they now say that the repetition of the flood of 1894 would do something over \$300 million worth of damage.

*By Mr. Herridge:*

Q. Is it right to say that Grand Coulee and the dams below work far less efficiently in the winter months and will continue to do so until they can obtain storage in Canada?—A. Yes, Mr. Herridge, that is very true. By their own statement, the total amount of storage between Hungry Horse and Grand Coulee, which is available to the United States, for the regulation of flow and also for

flood protection, is at this moment about  $9\frac{1}{2}$  million acre feet. We have had statements appear in their various reports saying what they would like to do. The regulation properly is a total storage in the basin of just over 40 million acre feet of storage. Now a recent analysis by the Federal Power Commission has shown that there is not much more than an additional 5 million in sight in the United States as a practicable measure because of the opposition of fishery interest, wild life, park interests and so on. It looks as if the only possible way of solving the flood protection business and giving this additional regulation is by the development of Canadian storage of which we, in total, can see something of the order of 21 or 22 million acre feet in Canada.

*By Mr. Kucherepa:*

Q. Could there be a division of benefits? In other words, following your last statement; the Americans require flood protection, and on the other hand we like to maintain our power developments for Canadian use. Have there been discussions in respect of a division of benefits which might accrue through such development, with the Americans paying for their share of the benefits, which they would derive in terms of flood protection, while we derive the power?—A. That is exactly the basis on which I outlined these proposals that we contemplated making to this committee in 1955, and to the United States afterwards. Again at the meeting here in Ottawa on October 4, 1957 I repeated these proposals, in substance. Those proposals are designed to conserve for Canada the rights that we believe Canada has under the treaty of 1909, and at the same time to make an immense—I use the word advisedly—contribution for reasonable recompense to help the United States through these difficulties, as a good neighbour should. We are quite willing to make a fair bargain. That is what we are aiming at. We have to find that fair bargain, because we have never been able to get to the point, in Commission discussions, where we could evaluate what constitutes a fair bargain.

MR. KUCHEREP: I would like to thank you, sir, for the enlightening answers you have given today in answer to my questions.

THE WITNESS: It is a pleasure for me to have this opportunity to give them, and I assure you that if there is any more information you would like, do not hesitate to ask, and we will try to dig it out for you.

*By Mr. Herridge:*

Q. General McNaughton, is it correct to judge from what you had to say with regard to the possible development of the Columbia basin, and the development of the more distant water resources of the Rocky mountains trench, that it is a matter of timing as to when these are brought in for the protection of our interests?—A. Mr. Herridge, I think that puts it in absolutely correct terms. There is no conflict between the Wenner-Gren proposals and those that have been worked out by the Canadian Section of the Commission. They are very closely complementary to one another, and I have had the privilege of going over, with their chief engineer, their proposals, as far as they have been developed at the moment. There is not the least objection to them. They are proposals that we ourselves would have contemplated raising at a later phase. It may be that there is some advantage in having them considered at this time. In order to give us more time on the negotiations in respect of these downstream benefits, as has been suggested, that is quite possible.

My own feeling is that we have reached a stage in this business now where we do not want speculation. We want to somehow or other direct these matters to a head and get it settled on the basis of equitable principle



once and for all. I believe if we are pushed into a position where we are sitting back, you will find that one encroachment after another will take place, none of them important enough to make an issue between the nations at the time. But the people will wake up a few years hence and find that we have nothing left to negotiate with. I certainly would not advocate a policy of inaction while these things are coming to a head.

We now have the results of these great studies, which we did not have when I came before this committee two years ago. I am quite willing to say that some of the proposals I put to you then were somewhat speculative, but since then the engineering information, the hydrological information, the foundation studies and so on, have come to us, and I can say that in every respect the expectations on which these proposals were made have been advanced in confirmation. Some of it is not absolutely sound yet. We still have studies to do, but by and large we now have the sanction of that knowledge behind the hope that we expressed. We are now in a position to know what our rights are, and to know what to do to protect them. It seems to me that every one of us in public life, associated with these matters, has a duty to make some firm decisions about it and get it settled.

*By Mr. Patterson:*

Q. Mr. Chairman, I was wondering if there were any diplomatic discussions going on at the present time with reference to these matters?—A. Mr. Chairman, if I might be so bold as to say, I would not consider myself, sir, competent to express any opinion, or give any opinion on the diplomatic side of the negotiations. We, in the commission, were told to proceed with our studies, and the people on the diplomatic level undertook certain talks. All I can indicate and say to you is what I have said already; namely, that for the purpose of these diplomatic talks we have had the privilege of supplying our information, and it has been the responsibility of others to make use of it. I have no authority and no competence to express any views on those things. I suggest to you that it would be quite wrong for me to attempt to do so.

Q. Perhaps that question was out of order, General McNaughton.

The CHAIRMAN: Mr. Patterson, before you go on, I have just asked the secretary to have Mr. Matthews find all the information he can concerning that question you have asked. When we have Mr. Matthews before us again would you repeat your question?

Mr. PATTERSON: That will be fine, I can deal with it then.

*By Mr. Patterson:*

Q. I was very interested to hear General McNaughton make the statement today that the plans for the diversions, that he brought to our attention in one of our previous meetings, is still proceeding. This afternoon General McNaughton made a statement to the effect that the Fraser developments were coming soon. I wonder if you could enlarge a little on that statement?—A. Mr. Chairman, again I cannot speak with positive authority in connection with the Fraser, because the Fraser, as it stands, is not an international river that comes under the jurisdiction of the commission. This river, as we suggest in our proposals, should be used as a means for Canada to make use of her own resources. We have pointed out the tremendous and immense advantages to Canada as the result of that use. When you ask me questions about the Fraser, I cannot speak with authority, but I can speak in respect of information I have as to what is going on. I know that the sites on the Fraser have been very carefully studied. I know that they are economic in their developments.

I know that because of these pressures over the fish, which have been going on, the power authorities, both the commission and the British Columbia Electric Company, as a result of their responsibilities to the people, have had to turn momentarily to other sources. I do know that the only real solution to reasonably cheap power for the people of Vancouver—the housewives and industry—lies in the use of those resources which lie right at their doorsteps. By being pushed away from the use of these natural resources for Vancouver, a great hardship is being placed on the people of that region, a hardship out of all proportion to the benefits that the fisheries interests would obtain, or will continue to obtain by blocking these great developments. Let us just think for a moment, in order to get a sense of proportion in this matter. I do not have in my mind the figures, except for the five-year period ending in 1955. In that period the average value of the salmon taken from the Fraser, and from all the processing of Fraser salmon of all kinds, was \$12 million. The proposals that we are talking about which will give cheap power to the people of Vancouver are one-hundredfold greater than the total of this.

What we are doing is that we are holding up a service to the people, and we are, in effect, making the people of Vancouver, that is, the housewives and everyone else—pay for whatever we take in the way of salmon.

It does not necessarily follow either, that by the development of these power plants, that we are going to lose those salmon. Let me place before you a report of the Federal Power Commission, please. I would like to read one little paragraph from it.

*By Mr. Montgomery:*

Q. May I ask a question at that point; this Fraser would not be of the same value if the American idea of storage was accepted, would it?—A. We have a choice. We have a choice with the storage. The great storages are up here, as shown on this map. If we had proper arrangements with the United States for use of those storages in the United States, and recompense, the flow of the water would be down the Columbia and through the Arrow lakes and down past Trail, and through our Murphy Creek dam, and then through 1,208 feet of head in the United States—provided they would give us reasonable recompense for the value of the Canadian resource, measured against the value we can obtain by the use of it ourselves.

Our proposal has been that we bring this stored water down the Columbia river, and into the pool above the Revelstoke dam, with a tunnel through the Monashee mountains, and then down the Thompson and Fraser rivers through plants which will be developed all the way down to Hope—all of which are designed as of this moment. They have been thoroughly designed, and we know all about them, and they can be used.

The 15 million acre-feet we have mentioned there will add, through that 1,200 feet, in round numbers—it adds 17 billion kilowatt hours of energy to the plants of the Fraser river for the benefit of Canada.

These are colossal figures, gentlemen. These are not the price of a kingdom: they are the price of an empire that belongs to us. And we are not going to get it, unless we are prepared to use it ourselves, and are prepared to use it. There must be no quibbling about it.

Q. As I see it, from Canada's standpoint, the diversion through the Fraser river would be worth far more for the future generations than any compensation we might get figured out at the present time, down through the United States.—A. That is a very good question. This 15 million acre-feet, which I speak of, which is worth about 17 billion kilowatt hours per annum—it is worth that in the lowest years of flow. That is the minimum year. Supposing

through roughly the same head they get the same amount, again we can probably expect to take a 50 per cent deal. That would mean a return of  $8\frac{1}{2}$  billion kilowatt hours to Canada, in compensation for those benefits, if it was a 50-50 deal.

We have plants like Bonneville, and we have to pay transmission of that power to Canada, and a lot of it will not be useable at all.

We might sell it, of course, but it is lost for all time to come. Whereas if we exercise the right given to us, by the treaty, then we have this immense amount of power. And, having got that in Canada, we then have our basis upon which to integrate these other great powers that are available in the north. And the result of it is that there is no region in the world that has been so gloriously endowed by nature as the lower mainland of British Columbia, and the lower part of the island, with the possibility of having cheap power right into the future.

As I say, that schedule can be worked out. It is economical at the moment and can be kept economical, and can be cheaper every day, with development, as we go on over the next thirty years. There is no region in the world that is in that position.

Mr. PATTERSON: I share your enthusiasm for the lower mainland of British Columbia. However, I believe only half an answer was given on the question I raised. You were going to read an excerpt, I believe.

The WITNESS: Oh, I am glad you remembered that. This is very important, because, really, I am sure that as Canadians we must ask our salmon people, the people of the great salmon industry, if they are going to sit back and take a look at this problem from the point of view of the real interests of the people of British Columbia and of Canada.

*By Mr. Patterson:*

Q. I agree with you in that, but there are some other factors that enter into it, I think that have to be considered.—A. Yes, I would like to see everything considered.

The CHAIRMAN: There is one thing that is certain, that if General McNaughton was not born in British Columbia, he most certainly talks like it.

The WITNESS: Well, I lived there for a time. I had the privilege of commanding the military district there in the old days, sir.

*By Mr. Patterson:*

Q. I hope you can convince the members here of the wonderful prospects we have in British Columbia.—A. With your permission I shall quote from this Examiner's Report of the Federal Power Commission in the United States. This was on an examination by Mr. Marsh, in what he calls a Decision, in the Mountain Sheep and Pleasant Valley case, (Pacific North West Power Co.) filed on July 23, 1957. That was a case in which there was a controversy, and wide public interest in the question of salmon versus power in the Columbia river basin.

Mr. Marsh and his colleagues went thoroughly into the existing situation. This is what he came up with, and this is what now is the policy of the Federal Power Commission, as we understand it.

It should be pointed out also that the evidence hereinbefore set out respecting the numbers and value of the migratory anadromous fish which would be lost as a result of a high dam assumes the loss of all of such fish. Actually the evidence indicates that even when fingerlings



are permitted to pass through the turbines of hydroelectric plants all of them are not lost. No reason is seen why it should be assumed that a choice must be made between all or nothing. It seems more reasonable on the other hand to assume that under the least favourable conditions, the skimmer device would permit the avoidance of the loss of substantial numbers of these fish. It is useless to speculate as to how many may be saved on the one hand and how many may be lost on the other hand. It is concluded that, as is indicated by the testimony of the expert witnesses, there is sufficient probability of success of the facilities presently in the experimental stage to justify the authorization of a license for a high dam project lying across the migratory route of anadromous fish if the project is otherwise feasible and desirable; that the fisheries engineers and biologists can and will provide facilities by means of which major losses of migratory fish will be avoided.

That, gentlemen, is the opinion of the Examiner of the Federal Power Commission. It means that after many years of controversy and discussion of the question of whether dams are to be built in the upper waters of the Columbia and along the Snake and so on, the Federal Power Commission decided that high dams would be built, and they put biologists and other fishery engineers to work to find ways to get a reasonable proportion of fish up and down, and they have expressed their confidence as to the progress and what could be done.

*By Mr. Patterson:*

Q. When was this?—A. On July 23 of this year. That is the statement of United States F.P.C. policy. Here the F.P.C. Examiner has reached this point on the Columbia of realizing that we can have both fish and dams and he has decided now to propose to go ahead and build the dam.

It is time we began to take a look at what we should do because the trouble is that if we do nothing we shall lose our opportunity. Nothing would please some of the people south of the line better, because our resources would go to them and we would never get them back. That is why certain people are promoting from the United States at this very time—they are promoting the objections that have been made by our fisheries interests to the projects in the projects in the development of the Fraser.

I forecast that the knowledge of these costs is now common knowledge and that the people of that area are not going to go on indefinitely having to pay twice the cost of power at Seattle, Tacoma and those other places. I think it is in the general interest for everybody to get together to find a solution of these matters.

Mr. McCLEAVE: I suppose the ultimate will be when a big salmon gets caught, and lands at half the present cost on a Vancouver housewife's stove.

*By Mr. Herridge:*

Q. I have heard some propaganda to the effect that dams on the Fraser might cause a flooding in the lower reaches of the river. Can you tell us something about that?—A. Yes sir, I think that is a very interesting point.

*By Mr. Patterson:*

Q. It is of interest to me because I live down there.—A. I shall ask our people to put up a map and let you see what we have. This is the water starting here, the main line running through Trail. It was flooded as recently as 1948; and this line will be the line just here which will be below the flows, the daily

flows, that is, 500,000 cubic feet per second at Hope. If you reduce those flows—they are daily—to monthly averages, we have in the month of June a total average flow of 379,000 cubic feet per second.

In our studies and in the study of the Fraser river power which have been reported to us, there are 16½ million acre feet of possible reservoir capacity on the various tributaries of the Fraser.

Now, if we divide that reservoir capacity against the various flows, the result will be to reduce the flows, and that is shown by this blue line. In other words in the month of June every reservoir would be in use to full capacity, and that would bring down the flow so that it would be 190,000 at Hope instead of 379,000. And on top of that situation as represented by the blue line, it means that there is a maximum average in reference to this—we have super-imposed the effect of an additional 10 million, 15 million and 20 million acre feet of imported water. You see the effect of the importation of water from the Columbia. It is not in any case a dominant factor on the amount of flow we would have to contain in the Fraser. In other words it may be contended that there is no possible reason for damage to the Fraser interests by this amount which is 5 million more than we have actually contemplated in these reports.

*By Mr. Kucherepa:*

Q. Have you any rough estimate of the cost for the project down the Columbia through the tunnel and into the Fraser?—A. Yes, I have an estimate of cost, but unfortunately I am in the same predicament as the minister of Northern Affairs and Natural Resources. These reports have not yet been tabled, and until they are tabled we are not at liberty to quote them, use them, or do anything of that sort.

*By Mr. Herridge:*

Q. Just a final question: I judge from your last remarks that the development of the Columbia system is urgent because we would run the risk of losing some of the benefits; and I judge that the development of the other region, the Rocky mountain region, is not so urgent, and that it is more a matter of time?—A. That would be my view. But there is nothing incompatible—we are going to need from British Columbia if we are to make a forecast of the power requirements—we are going to need all the resources and in a limited period of a couple of decades. We cannot dispose of any with safety.

Q. I was very pleased to hear you say that you had made a recommendation for the inclusion of locks at Murphy creek. There is considerable navigation taking place between Grand Coulee up as far as Revelstoke. Last year we had between 75 to 90 boats come up there, and it developing rapidly. There are craft at Grand Coulee on the Columbia in the United States coming up through the Columbia river from the United States and into Revelstoke. I think it will develop rapidly in the years ahead. I have often thought there was a possibility of moving ahead.

The CHAIRMAN: What would the total mileage be?

Mr. HERRIDGE: Something around 300 miles, with 130 to the Arrow lakes and another 30 to Revelstoke.

The CHAIRMAN: It is now 6 o'clock. I think I am expressing the views of the committee when I say that we have had an interesting and instructive report from you this afternoon, General. We shall now adjourn until 3 p.m. tomorrow when we shall meet in room 118. You will be receiving due notice of that meeting.

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First Session—Twenty-third Parliament  
1957

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# EXTERNAL AFFAIRS

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

FRIDAY, DECEMBER 13, 1957

Main Estimates of the Department of External Affairs  
1957-58

Statement by General A. G. L. McNaughton, Chairman, Canadian Section,  
International Joint Commission.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1957.



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*Chairman:* H. O. White, Esq.

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Haidasz,	Macquarrie,	Stick,
		Stuart ( <i>Charlotte</i> )—35.

J. E. O'Connor,  
*Clerk of the Committee.*

## MINUTES OF PROCEEDINGS

FRIDAY, December 13, 1957.

The Standing Committee on External Affairs met at 3.10 p.m. this day. The Chairman, Mr. H. O. White, presided.

*Members present:* Messrs. Best, Coldwell, Crestohl, Fairfield, Holowach, Jones, Jung, Kucherepa, Montgomery, McCleave, McGee, Patterson, Stick, and White.—(14).

*In attendance:* General A. G. L. McNaughton, Chairman, Canadian Section, International Joint Commission; Miss E. M. Sutherland, Secretary; Messrs. D. G. Chance, Assistant Secretary; J. L. MacCallum, Legal Adviser; and E. R. Peterson, Engineering Adviser.

The Chairman called the meeting to order and stated that General McNaughton would continue to answer questions asked by Members of the Committee.

During questioning, General McNaughton referred to the following subjects:

1. The Columbia, Fraser and the Pend d'Oreille Rivers.
2. Fraser River—Power vs. Fisheries.

At 4:40 p.m. the Committee adjourned to the call of the Chair.

J. E. O'Connor,  
*Clerk of the Committee.*





## EVIDENCE

FRIDAY, December 13, 1957.  
3:00 p.m.

The CHAIRMAN: I do not need to say today, will the committee come to order. They have already done so.

I am sure the committee enjoyed our meeting yesterday and the inspiring talk of General McNaughton. I felt that at the close of the meeting you had not exhausted all the questions which you wanted to direct to General McNaughton on the British Columbia rivers, waters and power. So without calling "agreed" or "carried" to that particular part of it, are there any further questions you want to ask General McNaughton?

*By Mr. Kucherepa:*

Q. Might I ask a question, Mr. Chairman, in reference to this morning's *Globe and Mail* story where the estimate of the cost is placed at \$1 billion, if that is more or less correct?—A. I would like to say it is of the order of magnitude. I do not know with precision that we can come much closer to these matters at the moment because a lot of the figures of the project are based on estimates, some made by departmental officers and others, are the results of surveys. Others have been worked up in greater detail by the consulting engineers that have been employed and there will be increases in some items naturally and decreases in others and we are getting to about the order of magnitude of the projects which I have been describing.

*By Mr. McCleave:*

Q. Could you relate your remarks which you made yesterday to the flood situation in British Columbia?—A. The only aspect in relation to flooding that I took up was to answer a question put by Mr. Herridge as to the effects on the flows in the Fraser river which would result from the increased diversion. We exhibited a chart, which I hope is here, to show the wonderfully beneficial effect that these developments will have on the flood conditions in the Fraser which is a very serious matter. Perhaps I could speak through this chart. This is the water here we have been dealing with, from May to April inclusive, and we have taken the flood of 1948, at Hope for the purposes of illustration. The flood started in the month of May and it rose to 530,000 odd cubic feet per second at the end of the month. It then fell off with a reflex action here and fell down at this period to a point of little significance. The studies that have been carried out by the Fraser River Board, which is a joint grouping of the federal government engineers and the British Columbia government engineers, have indicated that within the Fraser River basin, there is storage along the headwaters of the various rivers that constitute the Fraser, which, if usefully developed, could provide about 16½ million acre-feet. Applying that 16½ million acre-feet to the 1948 flood gives us this curve—this series of lines—which are given in blue right across the chart.

I might say that these red lines here are to distinguish the daily figures of flow which are given here, and they are the things which worry you when dealing with the flood protection. These are mean monthly figures, so you see that with the application of the 16½ million acre-feet which will be available

within the Fraser basin itself, the dangers of the flood for all practical purposes are taken up. The maximum monthly flow in that 1948 flood would be about 200,000 cubic feet per second at Hope.

Now when we raised this question in order to obtain benefit from our waters of Canadian origin in the Columbia basin, we found the opposition which the United States had developed to the taking of those flows and turning them to the account of Canada. They figured that they were going to go down automatically into the state of Washington and they would not even have to pay for reservoiring in order to get the full benefit of those flows in their own system, which is manifestly unfair.

Under the treaty of 1909, on the complete assurance of the law officers of the crown, we have the right to take water which is of our own origin and to divert it within our own country and to make use of it.

Applying that principle to the Fraser river, our engineers as I think is well known have found a practical route through the Monashee mountain range, roughly on the line of the Eagle Pass, to take waters through. These studies were carried out with various quantities of water. Up to 15 million acre-feet can conveniently—and in every year of record—be put into our proposed reservoirs at Mica creek and Bull river-Luxor. We know that up to this 15 million acre-feet we have no difficulties in providing water even in the worst year of record.

The idea was to see whether the moving of flows of that sort into the Fraser basin would be harmful and this was illustrated to show the results. The last line here is that 10 million acre-feet put in and that would not affect the maximum which would occur in the month of June. With the 15 million acre-feet, there is some addition and another line drawn for 20 million acre-feet would bring it here, and you can see that in no case is there any adverse effect on the flooding condition downstream on the Fraser, as benefited by the 16½ million acre-feet storage which eventually we hope will be developed. Does that answer the question?

Q. Yes, thank you.

*By Mr. Kucherepa:*

Q. General, can you tell me if there are possible stages of progressive and productive construction of this scheme?—A. Yes, sir. Those stages were outlined to a certain extent in my first presentation to this committee two years ago. This is an enormous undertaking. It is an undertaking which is designed to provide—shall I call it a master plan—for the development of the resources in water on the Pacific coast of Canada. This ties in with British Columbia. It is tied also into the Northwest Territories but not directly in connection with this stage, and we felt that in working out this plan, we had to have an overall plan in order to be able to plan and comprehend and apprehend the position intelligently. This plan is laid out for a period of development of 30 years plus, so these large expenditures, when the people talk about billions of dollars, they must realize that that expenditure will be distributed. That expenditure will be distributed over a considerable period of time and you can get it into perspective when you realize that the newspapers of the last few days have shown that, . . . just to get a toe-hold against the future, the British Columbia Electric, in this Vancouver area, are spending up to \$100 million just to get a toe-hold to stave it off over the next few years. So while this amount of \$1 billion seems a large amount of money, actually when you consider that it is being spread out, and consider what it means to the future of British Columbia, there is no need to be afraid at this large amount.

Q. What would be the minimum amount required to set up productive results on the first part of the scheme?—A. The plan is laid out in such a way

that once we have been able to crystallize certain segments of it by—we hope—through arrangement with the United States—the expenditure will be productive from the start. By that I do not mean to imply that right at the start we will get the low mills per kilowatt hour that we shall eventually get out of this scheme because that would not be correct in view of the fact that there are certain capital expenditures which have to be made progressively. Of course, one of the great advantages of a water development of the kind I have indicated is that the cost—if the financing is done the way we have every hope it would be done—the cost will be amortized as we go along, and by the time we have got through 30 years of it, the costs that are really incident on the people are then very small for hydro-electric power and all maintenance, and with a proper design of dams it should be almost nothing.

This provides that British Columbia will have the basis of very reasonable hydro-electric costs to begin with, with no limitation placed on them by the possibilities of the region. They will have plants and buildings to pick up and advance as they are called for. The great thing is that after the initial period of maybe 15 years, power will become cheaper and cheaper with each year. That of course is what our good friends to the south of us are beginning to reap now. Their great power source is at the Grand Coulee dam, which is here. The Grand Coulee has been going now for two and one half decades, so a lot of the costs have been written off. That is why they are able to deliver firm power in industrial amounts for \$17.50 per kilowatt year, which is 2 mills per kilowatt hour, because the developments were done before the cost of engineering had advanced to the high level we are in at the moment, and the proper provision for writing off and depreciation of accounts and so on, and the expenditure on capital investments has been made and the people are now getting results.

We are late starters in this business. Do not think we have not got as good background for massive hydro-electric development as they have in the United States. Indeed, as I have said several times and whenever I have the opportunity to say it: as to this whole set up and the contributing ones—there is no region in the world that is more endowed with the potentialities of power for the service of their people, provided it is properly handled in the right way—there is no region better endowed than we are in this province of British Columbia and in this southwestern corner where our industry seems to be focusing.

Q. Are you able to give us something specific in terms of millions as to how much it would cost to start the scheme and to start phase one of the scheme? How much would it require?—A. In my view, if we can clear this inhibition or trouble we are having with the fishing interests, the first stage of this scheme should be developed with plants close to the city of Vancouver, which would save rather large costs for transmission as a result, and would prevent their having to build a lot of long distance transmission lines which are very heavy costs—to save this extra cost and to do the thing progressively working from here out—that is particularly important when we are dealing with diversion of water into a basin because it is of no value to Canada at the moment to make a diversion from the Columbia here into the Fraser because the water will only run idly to the sea until we have first built our plants down here to take that water and turn it into hydro-electric energy for the service of the people.

Q. How much would it cost as a rough estimate?—A. Have we an estimate of the initial cost for the plant, Mr. Peterson? Have you a recollection of the rough cost figures for the first plant? I would only like to give an approximate figure at this stage, just to give the order of magnitude, because these are very preliminary cost estimates that we have. Our figures are particularly preliminary on the Fraser because our main responsibility in the commission has been over here rather than down there as far as detailed engineering goes. In my opinion it would be a couple of hundred millions to start with.



Q. Would that include any compensation for fisheries?—A. Oh yes; that would include provision of the works for the passage of salmon as they are presently designed. That has been provided for.

*By Mr. Patterson:*

Q. Might I ask General McNaughton if the appointment by the government of Canada of a royal commission on energy would affect in any way the activities of the International Joint Commission?—A. No sir, because the government has been good enough to send us a copy of the instrument which appointed the royal commission you speak of, that is the Borden commission.

Q. Yes.—A. And it has been specifically provided that the work that has been given to the International Joint Commission—that we are to go right ahead with it. Naturally we will make it our business to keep Mr. Borden's commission fully informed of everything we do and give him all the information we can as he wants it. But as far as producing a straight settlement of our problem, it does not affect it, and it has been so provided in the commission.

Q. What you have you would make available to the Borden commission?—A. Yes, and on the other hand we envisage getting a lot of help from that commission just as we have drawn it from the Gordon commission.

Q. Under what reference has the International Joint Commission been pursuing the study of the possibilities of the Fraser river in regard to power development?—A. The commission has not been presently concerned in the investigation of the Fraser river. All the information we have on it we have drawn from the Fraser river board.

Q. Well then, am I right in my understanding that within the terms of reference of the International Joint Commission the Fraser river situation is not included at all?—A. That is a matter of interpretation on which there are very sharp lines of demarcation between the views of the Canadian section and the views of the American section. It stands to reason that the reference made by the two governments to the commission in 1944 was a perfectly general reference; and when it came to be shown that the use of the greatest benefit to the people of Canada was to take part of the waters of that river—and only a small part too, I might say in passing—and to use it through heads in Canada, there is no reason whatever for not, and indeed every reason why we should pursue that study, and why the government of Canada and all the people of Canada would expect us to report on that possibility for the use of these waters.

*By Mr. Patterson:*

Q. What is the liaison between the International Joint Commission and the provincial government of British Columbia in this connection?—A. As matters stand at the moment the engineering studies are under what is described, giving it its title, international Columbia river engineering board and that board has working committees on which British Columbia is represented.

Q. You say that includes the Fraser river study as well?—A. Some of the same people who are on the joint Fraser river board are also on the Columbia board.

Q. Has there been any suggestion that if Canada proceeds with the proposed diversion, the United States might retaliate by the diversion of the Pend d'Oreille, thereby leaving the Waneta dam high and dry?—A. In the very early phase of the study of the Pend d'Oreille—you had better point out the Pend d'Oreille to them—there were three or four separate projects developed in the United States for the diversion of the flows of the Pend d'Oreille across country and we have, of course, the result of these engineering studies.

They were too costly in proportion to the benefits and, more important than that, they were shown not to be useful in the United States scheme of development of the water resources—important water resources—of the Pend d'Oreille.

The first dam that the United States built on the Pend d'Oreille system is at a place called Hungry Horse and that dam, pending the full development of the various heads along the Pend d'Oreille river, starting with the Flat Head—where the pencil point is at the moment—the storage there is at the moment primarily of interest to the United States when it is moved from the Pend d'Oreille basin over into Grand Coulee reservoir. It is used primarily for topping up that reservoir. To do that, with advantage, you have to have a very large channel capacity, a larger channel capacity than can economically be provided by a diversion which would be necessary to divert it.

That proposal was discounted at least ten years ago and since then there has been a whole series of developments on the Pend d'Oreille itself. There is a development at Box canyon, another one at the foot of Pend d'Oreille lake, and more recently the boundary site which has been licensed to the city of Seattle and a very large hydro-electric plant is being developed. Every development that is put on the Pend d'Oreille by the United States, in their section of the area, firms up the position that it will not be a practical matter for the United States to divert and cut around our site, which is partially developed to the extent of two units at Waneta and the further site upstream, the six-mile site. Each site is about 360,000 kilowatts. There is not much chance.

I will say one thing, the Waneta plant was built under an order of the commission. You may ask why it was necessary for Cominco to make an application to the commission for an order and the answer is, while the Waneta dam does not back up the flow of the Pend d'Oreille itself into the United States, it did back water up a minor tributary that runs in from the United States territory to the south, known as Cedar creek. Waneta, built to the elevation that the Consolidated Mining and Smelting Company wished to have, flooded  $2\frac{3}{10}$  acres of waste-land in the United States. They could not flood that territory under the treaty without the consent of the United States and advantage was taken—it is perfectly proper—of the fact they were going to have to flood this  $2\frac{3}{10}$  acres of useless land in order to require the Canadian section of the commission to give their consent to a general reservation of the United States' right to divert the waters of the Pend d'Oreille.

Now, we had a great deal of heart burning, and the company had a great deal of heart burning, at the time and it was only after we had carefully examined the basin and saw the very useful possibilities of at-site power in the United States, and we knew they were being contemplated for early development, that we agreed to this reservation as being something that, while it looked very dangerous on the surface to the interests of the Consolidated Mining and Smelting Company, in fact was not something which could ever be conveniently invoked against us, except with greater damage to the United States. It was on that basis and with that appreciation that we finally accepted the terms of what is known as the Waneta order. I am prepared to give the exact terms of that reservation if members of the committee would like to have it. I think I have it here—but I apparently have not the order here but if you would like me to send you a copy, I would be glad to do so.

The CHAIRMAN: Any further questions?

*By Mr. Patterson:*

Q. Yes. In its consideration of the Columbia river reference, does the International Joint Commission concern itself wholly with the matter of power development or is it required to take into consideration all the relevant factors such as the fisheries, etc.?—A. Yes, sir, the commission's reference from two governments is all-embracing on the resources of the basin. Flood control,

fisheries, park interest, wild life, pollution control—each one of the various headings under which we have to consider international waters is reproduced in the Columbia reference.

Q. Now in regard to fisheries I think he quoted yesterday that the value of the Fraser river fisheries would be about \$12 million annually.—A. The figures which I used yesterday covered the five-year period from 1951-1955 inclusive, averaged over that period. I do not have, for release, the figures which are subsequent to 1955. The value of the Fraser river salmon landings and salmon projects, based on the average of this five-year period, is \$5,800,000 for the landings and \$12,600,000 for the salmon projects.

Q. Does that only take in the Fraser river or does it take in the whole benefit of the Fraser river fisheries to Canada?—A. This is to Canada. It does not include the United States.

Q. Is it not true that the estimated worth of the Fraser river fisheries is in the neighbourhood of \$50 million a year?—A. I would not think so.

Q. I have a newspaper article with reference to a report which had been forwarded to the former Minister of Fisheries, Mr. James Sinclair, in Ottawa. I believe this is dated December 8, 1955. The report, in effect, says the series of powers dams would destroy the Fraser salmon fisheries which are conservatively estimated to be worth \$50 million a year to the province. I must admit that I have not done my homework on this, but when you stated \$12 million yesterday I was amazed because I understood it was far in excess of that amount.—A. I can only say the figures I have used for that period were obtained from the Department of Fisheries itself. I think I have some recollection of the report which you have just mentioned and I have a feeling that it was a forecast of what might be the value in the years to come.

Q. Perhaps we will have to take that up on the fisheries estimates.—A. These are specific figures for that period. The figures would probably be greater in the subsequent period 1955-56—for which I do not have the figures—because in that period we had larger takes as I recall it and we were not in trouble with the loss of fish beyond the date line in the Pacific as we are now.

Q. Of course I believe there are other factors, as I mentioned yesterday. This report apparently goes on to point out the fact, and I believe it is correct, that if the salmon fisheries of the Fraser were destroyed it would take away the livelihood of a large proportion of the 18,000 British Columbians who earn their living from fisheries. Therefore the implications go far beyond just a natural loss of the fisheries.—A. May I answer that point. I think this is tremendously important. There is no feeling in the commission that the procedure which we have indicated will indeed have a bad effect. We have, in support of that view, the considered opinion, from which I quoted yesterday, given by one of the principal examiners of the Federal Power Commission. After considering the big dams on the Snake river and after the most meticulously careful investigation of the problem of salmon migration up and down, the passage of high dams and so on, he explained in what is called the decision in this case, the conclusion, that there is no need to hold up any more the development of power dams which lie across the route of migration of anadromous fish because the fisheries biologists and engineers were well aware of the problems and that we were either in possession of or about to be possessed of methods by which the greater proportion of these fish could be got up or down or over these dams.

If the Examiner is supported at the public hearings, which they have to have after the results of examinations of that kind, and his views are carried, that might well become the policy of the Federal Commission and that the controversy of fish and dams will be resolved on the Snake river—which is a great fish river as you know—by building the dams and providing for the passage of the fish.



Q. Could you tell us whether or not the members of the International Pacific Salmon Fisheries Commission concur in those views?—A. I would say that I have had an opportunity to discuss matters with that commission on several occasions and they have one idea, and that is the salmon.

Q. Would you carry that along a little further and project that inference, if we can call it that?—A. I think it is something more than an inference. My plea, and the plea which I addressed to this committee yesterday, was addressed to that body of men along with others who sit back and take a broad view of Canada's interests in this whole matter, and that is at this stage they should take, instead of a single line for the benefit of the fish, a line of cooperation similar to what is developed in the United States on the Columbia basin by their great authority, the Federal Power Commission, so that the fish and the dams can exist together for the benefit of all. But to do that neither side must dig their toes in and be intransigent of the interests of the other. The authorities in the United States are at grips with this same problem.

Q. I appreciate your views and I certainly concur in the hope that very soon this problem will be resolved. It is to be expected that the International Pacific Salmon Fisheries Commission would take the view which they have taken in the interests of fish and that the Federal Power Commission would take the opposite view in the interests of power. So we have the Federal Power Commission for power and the International Pacific Salmon Fisheries Commission for fish.—A. I know the Federal Power Commission people pretty well. I believe that they have a rather general instruction in their act in regard to the preservation of all private interests, with due and proper provision for the various basins they have to deal with. I can assure you that the Canadian section of the International Joint Commission is not trying to destroy fish in the interest of power. What we have asked for and suggested, is a balanced view on the project. I am quite sure if that is done and the business is looked at, in Canada, from a general Canadian point of view, we would have no difficulty in living with the result.

Q. And you say that the International Pacific Salmon Fisheries Commission is not taking that cooperative approach on the matter?—A. The man I deal mostly with is Senator Tom Reid. We are very good friends, but I find he is expressing a diametrically different point of view than I am.

Mr. PATTERSON: Mr. Chairman, I have more questions but I will yield now in the interest of someone else who may want to ask a question.

*By Mr. Kucherepa:*

Q. Have you any idea how many work hours, in terms of employed people, will be made possible by these projects?—A. I would not like to even suggest that the plans, which are in broad outline today, have been carried through to that point. It is not too difficult to arrive at the man hour basis. We have an engineering index in regard to the types of construction, and so on. It is a relatively simple and straightforward matter to translate the dollar costs that we have for the different kinds of labour involved into man hours. That was done for the St. Lawrence project. It is most astonishing that it has worked out very very closely indeed.

*By The Chairman:*

Q. What is the ratio?—A. I would not care to give it from memory. It is a very complicated business, but it can be done. It has not been done in respect to the Columbia, but it was done—not directly for the commission, but for one of the staffs—on the St. Lawrence project. I really do not think that we are wise to get into that kind of calculation until the plans are a little bit firmer. Those of us who are concerned with these calculations are

pretty thin on the ground, particularly in Canada. We have a very few people who are working day and night to get this matter in order and to keep it in order, and we must first concentrate on getting it in order. I hope that in a year or two from now we will be able to produce this figure for you. If you wish, we can do it, but I would not like to take it on unless it is absolutely essential, because if done now it would have to be based on a sequence of projects which is not yet certain.

*By Mr. Kucherepa:*

Q. I have one more question regarding the diversion of the Columbia to the Fraser through the tunnel. How would that affect any future proposals on the lower Columbia, south of the tunnel?—A. First of all I better trace it from the Columbia lake. Put your finger on Columbia lake. The large reservoir created by the Bull river-Luxor dam, which impounds the Kootenay waters is there. There will be a small power plant at Luxor. Going from there down, there is a plant shown at Calamity curve which is close to the Donald canyon. There are several sites, but there has not been a final selection as to which one is to be used.

From there we go down into what will become the Mica reservoir. The Mica reservoir extends right by that line there in Kinbasket lake. Below Mica we have, first of all, a dam at Downie creek and a second dam in the Revelstoke canyon. The diversion takes place from the pool at the Revelstoke canyon dam. The water which will flow from there downward over the route of the Eagle pass will be used through all those heads that I have mentioned above. The plants that will not have that water flowing through them will be the power plant in the Revelstoke canyon and the one further south at Murphy creek. These two proposed plants would be used for 20 years. The equipment would be left in because they would work, and would be used for the surplus flows which would occur in the area seven years out of ten. They would accommodate the contemplated flow, which even in the worst years on record after the diversion of 15 million acre feet at Revelstoke, amounts to something over 7,000 cubic feet per second. These plants would not be working at full capacity all the time, but they would still be developing usable power to supply the locality, and so on.

*By Mr. Montgomery:*

Q. Would there be less water flowing from the Columbia into the United States than there would be before these developments?—A. No, sir. We must remember, of course, that the Kootenay water now flows into the Columbia and then on into the United States. The average yearly flow that the Columbia carries across the boundary is roughly of the order of 65 million acre feet. That is 65 million acre feet in the average year. A diversion of 15 million acre feet from 65 million acre feet would leave 50 million acre feet going across the boundary. It has been a sort of general thesis all the way through, in respect to the great problems that the International Joint Commission has had to settle with the United States, that it would end up with about a 50-50 division of water flow across the boundary. I am not saying that this solution in practice can be adopted in regard to the Columbia, but it is the sort of typical thing that has been recognized. Most people feel that if they are getting an even break it begins to measure up towards equity, although we have not suggested at this stage that an even break would be called for.

Q. The United States will, however, be getting sufficient water to carry out all the developments they have made up to the present time?—A. I will answer that question in the way I answered it when I first had the privilege of coming before this committee. We say that the only commitment which has

been made by Canada is the one in relation to the International Joint Commission Order in regard to Grand Coulee dam. It is mentioned in that order, although not explicitly recognized, that there will be 4 million acre feet of water for pump irrigation, and there will be 1,944,000 kilowatts of installed capacity at that dam. We have made an analysis of that commitment and we believe with the additional storage that we will make available upstream, and the fact that we can conserve flood flows that presently go unused across these dams, it balances up. The proposals we make will not adversely affect the Grand Coulee dam. We have never felt—and we are told by the law officers of the crown that it is so—that we need make any compensation whatsoever to the United States in respect of what they have done since the Grand Coulee project, and more particularly, sir, since they became aware of the fact that Canada had ideas and intentions, if I may say that, of making use of those Canadian resources to the benefit of Canada. We are not going to give to somebody else the resources that belong to the Canadian people—at least we are not going to acquiesce.

Q. You are getting in at the first, which gives you the priority, is that the idea?—A. Not only our law officers, but the law officers of the United States, and I am thinking particularly of Judge Elwell of Montana, have pointed out that a reference to the commission, as on the Columbia, is something to take note of. Anybody who proceeds to do things, to take water into account, with these matters unresolved before the commission report has been presented and approved by the governments, does so at his own risk. And the fact that the United States are driving ahead on this and trying to assert a first-in-time, first-in-right doctrine which has no currency whatever, according to the best legal advice we can have, will be injured if they go ahead the way they are doing in putting in generators with some of these downstream plants foreseeing what they call their third phase development, and throwing in generators to the point that they cannot operate at more than perhaps a 25 per cent load factor.

If they think that Canada is naive enough to underwrite that sort of business, I think that as soon as somebody makes it clear to them that we are not, the better for all concerned.

*By Mr. Coldwell:*

Q. Your point is that we should get along with this in order that there will be no disputing about this in the future?—A. That is right, Mr. Coldwell, and it is well put may I say, because if we are timid on these matters and do not grab the thistle and have done with it, each day that passes in delay makes it that much more difficult for us to take hold of the business and get the rights of Canada preserved.

*By Mr. Patterson:*

Q. Are you suggesting that the first phase must be the development of power sites on the Fraser? Is that one of the first considerations of this project?—A. I would like to say that we can get no real value out of diverted water until we have the power sites to put it through. We, on the Canadian section of the commission, in doing our planning, have recognized the difficulties of getting an adequate development of the Fraser program. It is going to take us a while and that is one of the reasons why we have suggested that, for about 20 years from the time we can make Mica creek water available, we should enter into a reasonable arrangement with the United States to allow those flows to continue and to receive a reasonable recompense for those flows in that period.



That offer would be of very great value indeed to the United States. To be perfectly frank, I find that my colleagues in the commission are loath to admit that it has any value but when I talk to responsible power operators like the Puget Sound Utility Council—Dr. Paul Raver is a very fine engineer and a very able man and is the chief engineer of that group—they are more than anxious for us to develop our storage and they are more than anxious to pay an equitable portion of that storage and to have it available for a period.

The reason is that as matters stand at the moment, the thing that the United States are most short of is storage. What have they got in the way of head-water storage in the Columbia system? They have, as of today, counting the Grand Coulee reservoir and the Hungry Horse reservoir, which are the two most important ones, a total of  $9\frac{1}{2}$  million acre-feet of storage behind their great works.

Their requirement as assessed in what they call their 308 report, is for storage of the order of 40 million acre-feet. In the same report which I mentioned in relation to fish—and I am referring to Mr. Marsh's Decision of the 23rd of July of this year—he brings out that this storage, the next increment of a dozen million acre-feet in storage or thereabouts, is not in sight. They do not have in sight the provision for half the storage they need so until they can compose the differences over fish, wild life and elks' feeding grounds and parks interests, and the score of other things which come to play on the negation of the storage possibilities, they are not likely, for many years, to get enough storage to operate their plan effectively on that river.

So if we were to come into that as we would from Bull river-Luxor at 3.4 million acre-feet and Mica creek, 11.8 million acre-feet, and that is just a little over 15 million acre-feet, we would over a period be giving them help of almost incalculable value and giving them time to compose the differences on their difficulties over their storage and bring them into account.

If the business is properly arranged and if we make a bargain to let them have our stored water over a period, and we make one of the conditions of that bargain, that they really get down to it to develop their own storage, as they can, then at the transition point the water can go down to feed our plants on the Fraser which will be in existence and it will not hurt them a bit. That is the plan.

The plan which the Canadian section has put up is one which in reality has equity and consideration in every line of it and we are not getting the credit for it of course, but we cannot help that. That is what other people may think. I am prepared to defend it in any organization, that in essence it is equity. One of the things we must have regard for in Canada, I think, is the very, very grave responsibility that we do not lightly by our action, part with resources that belong to the people of this country which are absolutely vital for the future.

*By Mr. Patterson:*

This matter of the diversion is a very interesting study, and as General McNaughton knows, there has been a great deal of discussion about it.

I notice in the House of Commons report of debates for February 10, 1955, this matter was under discussion in connection with the International Rivers Bill, which no doubt the General remembers. There is a record of exchanges between a few members of the House of Commons. I find this:

MR. LESAGE: That work will have an effect on the level and use of the Columbia river outside of Canada.

MR. GREEN: The minister and his officials must have considered that point. It is the intention that the Mica creek dam will be subject to the terms of this bill?

Mr. LESAGE: It certainly would by the definition I have just given. The water might however be diverted into the Fraser.

Mr. GREEN: I would like to hear something about that too.

Mr. FULTON: Over my dead body.

So it looks like the possibility of some opposition if and when it comes to the governmental level in that connection. But I think back in those days the premier of British Columbia indicated very strongly and I think he has since then said that no dams on the Fraser will be permitted until the fish problem is solved.

I have an article here dated December 9, 1955:

In Victoria, Premier Bennett reiterated Thursday that a proposal by the Moran Power Development Company to build a 700-foot hydro-power dam on the Fraser, above Lillooet, won't be heard by the government until the fish problem has been resolved.

I have, not seen anything to indicate that the provincial government of British Columbia has changed its position. But if I may I would like to refer to a report entitled Study of development of the upper Columbia river basin, Canada and United States, copy of report to the chairman of the Senate committee on interior and insular affairs submitted by Senator Richard L. Neuberger, of Oregon. This is dated December 9, 1955. Is there any rule against reading excerpts from such a report?

The CHAIRMAN: So long as they are not too long.

Mr. PATTERSON: At page 20 of the report I read as follows:

If a series of dams of considerable height were built on the Fraser river to utilize diversion of a substantial portion of the Columbia river's flow into the Fraser's watershed, biologists agree that this would inevitably have a profound effect upon these sockeye runs, which have been so successfully restored by joint United States-Canadian efforts. Both nations have a stake in this resource, because the Fraser river sockeye migration, discharging into the straits north of Puget Sound, is shared by commercial fishermen flying the flags of the United States and Canada.

And then another short paragraph as follows:

Another danger to the salmon fisheries lies in the fact that the water of the upper Columbia river—although itself blocked to salmon by the lofty barrier at Grand Coulee—continues to furnish a portion of the habitat for the salmon runs further downstream, even those which turn up the Snake river on their way to spawn in the secluded Salmon river of Idaho. Engineers and fisheries experts have expressed apprehension that diversion of 25 per cent of the upper Columbia river could raise the temperature of the lower river enough to endanger the health and vitality of migratory salmon.

I wonder what progress has been made in working out that problem having to do with the change in water conditions in the Fraser which the experts have indicated would have a serious or detrimental effect on salmon fisheries?

Mr. STICK: What page is that on?

Mr. PATTERSON: This is dated December 9, 1955.

Mr. STICK: Have we not got a more up to date report with respect to the fisheries since then?

*By Mr. Kucherepa:*

Q. July 1957 was the latest report was it not?—A. Yes.

*By Mr. Patterson:*

Q. I have not got that report. I wonder if they have overcome the problem in relation to the change in temperature and the element of danger?—A. I would not like to take up the time of this committee with biological matters about which I have not more than a bowing acquaintance at the best. But I would like to say, as I said earlier, that the best pre-study of the question of the passage of anadromous fish up and down and over high dams is given in this study that I have quoted several times in the Marsh report of July 23 of this current year.

In that report the Examiner, who is on the staff of the Federal Power Commission, has firmly expressed the view that high dams and fish are not incompatible provided the biologists and the engineers will co-operate and do their jobs. They have gone on—if I could read it—to say, the examiner said that they should not be held up because of high dams any longer because they can get through them, whereupon the problem will be solved.

I do not want to enter into an argument here with Senator Neuberger at second hand, but I do think it is right that the committee should know the interests of the distinguished senator in this whole matter.

*By Mr. Kucherepa:*

Q. Yes, I would like to know that.—A. I would like you to know what the senator is determined to have for a solution and to see whether that solution commends itself to you. You will perhaps allow me to pass over his special pleading in that way without giving you an answer, because in order to do so I should have to bring one of the biologists along with me.

I quote from Senator Neuberger's statement made in the Portland issue of the American press. May I quote from this newspaper?

The CHAIRMAN: Yes.

The WITNESS: It reads as follows:

The senator was referring in an address to the Portland Chamber of Commerce forum to Canadian proposals for diverting a portion of the Columbia river in Canada into the Fraser river.

Failure to press this matter forward until an agreement had been reached has indefinitely stymied the Libby dam in Montana and the potential Mica and Arrow lakes projects in the Canadian stretch of the Columbia, he said.

These projects would more than double the storage in all United States reservoirs built or under construction in the Columbia basin and would increase the output of United States dams by 1,358,000 kilowatts—almost three Bonneville dams, he said.

Neuberger urged establishment by the United States and Canada of a joint north Pacific international waterways agency to plan and control future upstream developments on the Columbia, as well as on the Yukon near the Alaska border. He introduced a resolution at the last session of the United States Congress calling for such an agency.

Senator Neuberger is aiming with a lot of other people to take the great resources of Canada and to pool them into some sort of inchoate super-governmental organization and to use those resources for the common benefit of all the parties concerned.

I think I only have to ask the question, Mr. Chairman, as to how much benefit Canada will get in such an organization.

*By Mr. Patterson:*

Q. I have no objection to General McNaughton's putting that on the record but I don't know if it is altogether relevant because I was just reading what



he had said, and I think this is an opinion, is it not, that is not shared by the International Sockeye Salmon Fishing Commission? I am not sure whether I have the name right or not, but it is the commission of which our Senator Reid is Chairman, and I was just wondering where consideration of that factor is at the present time.—A. I think it would be most unfair to Senator Reid to imply that he was a subscriber to such an international organization as Senator Neuberger suggests.

Q. No, no, I did not mean that. I meant it with regard to the engineers and fisheries experts expressing apprehension that the diversion of 25 per cent from the Columbia river would raise the temperature and endanger the health and vitality of salmon.—A. My answer to that is—as I have said several times—is this latest we have from an independent authority of great prestige, the Federal Power Commission of the United States. It has said that the time has come with the advance in the art of getting salmon up and down over high dams that there is no need any longer to delay the issue of permits for those dams. That, I think is a pretty authoritative statement representing the latest of the considerations of this matter by a responsible authority.

The CHAIRMAN: For the information of the committee General McNaughton tabled last year, first the report of Senator Richard L. Neuberger of the Senate Committee on Interior and Insular Affairs on problems of development in the Columbia basin and Canada; Then, secondly the statement by Mr. Len Jordan, Chairman of the United States Section of the International Joint Commission, before the Senate Committee on Interior and Insular Affairs and Foreign relations of March 26, 1956, at Wellington. Mr. Patterson read an excerpt from it, but the whole statement was tabled by General McNaughton a year ago.

Mr. PATTERSON: That is what I read from. The document was tabled.

*By Mr. Coldwell:*

Q. You have said several times you are quite confident the matter of the fish getting to their spawning grounds over the high dams will be solved. Have we any examples of this; if so, where are they?—A. The most specific example of the kind that Mr. Coldwell has asked for is given in a recent report in the proceedings of the American society of civil engineers on fish and high dams and among the tables that are produced and the charts that are produced, they show the productivity of the Columbia basin down the years. They carry the information back to the days when there were not obstacles across the river. They do not give the production of the fish quantitatively at that time but early observers indicate the tremendous take that went on and how the Indians, before the days of the early American explorers, had a great trade in fish that went right out to the prairies. Then they got up into the 60's and 70's and began to put it in quantity terms, in terms of fact and they show the productivity gradually falling off. They show the sudden interruption caused by the Grand Coulee dam. They began to watch the effect of the conservancy measures to show that the whole trend of the Columbia river is again upwards. You must remember there is no power stream with more high dams on it than the Columbia and I think this kind of information is what Mr. Marsh and his colleagues in the Federal Power Commission must have been relying on when they said that the time has passed when you cannot have fish and high dams too.

*By Mr. Jones:*

Q. Just probably to clear up a point: It is a little difficult to connect fish and high dams with diversion and temperature. They seem to me to be two different considerations. I gather from what you said earlier that you had

very kindly bracketed the remarks of Senator Neuberger in that regard as special pleading. I suppose spelling that out a little further it would probably be—my friend suggests a red herring. Have you any further comments to make?—A. Yes, I should like to make a comment but unfortunately I have not brought the specific references which, when I get out of my own field of engineering into biology, I would like to have under my hand when I speak. So as to be able to substantiate by quotations at this time. I should like to say I have been reading some publications that show that the usefulness of upstream dams may have quite the opposite effect. In place of being deleterious, on occasions if properly operated, they can be very valuable indeed. That was an experience described in regard to work on the power developments on the Shasta.

This article quotes cases when it has been an advantage to release water and keep the temperatures down on occasion and that this has saved runs of fish which otherwise would have been lost. That seems to me to make sense because it is not the release of stored water as such; it is the way it is managed that may or may not be deleterious or beneficial.

*By Mr. Kucherepa:*

Q. There appears to be a lot of development on the Snake river in the United States with high dams. What are the fisheries results there?—A. On the Snake river?

Q. Yes.—A. We cannot say as yet because these dams have not yet been built. They are only in the course of construction.

Q. The ones that are marked in green?—A. They are not on the Snake.

Q. How about that part of the Columbia?—A. I was just telling you. I was just quoting this American society of civil engineer's article to show that the Columbia fish production fell back to the lowest level of all times when Grand Coulee was built and came into operation as an obstruction. Bonneville was the first but now with the installation of fish passageways on all these lower dams, the productivity of the Columbia is being restored and it is building upwards again. There is no reason to think it will not go on increasing.

*By Mr. Coldwell:*

Q. In connection with the Snake river, I read a while ago there was an attempt being made to find new spawning grounds for salmon by putting the fish fry in various new streams adjacent to the river, new tributaries.—A. That is an effort that is going on in a great many places with a considerable measure of success.

Q. Was not that to overcome the difficulties?—A. Unfortunately, I am told we have not been so successful with the sockeye as with others. We have an experiment of that sort, in which we are very interested, on the bluebacks in the Okanagan. You will remember, we had to come to some joint arrangement with the provincial and federal authorities, building regulating works at the foot of Okanagan lake. In that construction we took advantage of carrying out, at the instance of our fisheries friends, very comprehensive rearrangements of the Okanagan in Canada to provide above Osoyoos lake for the blueback salmon. While it is too early to make formal reports on it, fisheries people tell me, within the last couple of weeks that last year it was very successful indeed and that these fish are moving in on the prepared gravel beds. There is no reason to think that we cannot develop them.

*By Mr. Kucherepa:*

Q. During the discussion on this subject you have dealt from time to time with the provisions of the 1909 treaty whereby the signatory to the

treaty has the right to divert water within its own territory if it originates in that territory. I should like to ask you, suppose there was disagreement between the two countries with respect to a particular boundary river—let us consider this very case—suppose one or other of the two felt at some future date that they had not received the proper treatment under the treaty, what is the international law on this subject? What I have specifically in mind is this; suppose the Americans proceeded with the development of dams on their side which would drain off all our rivers up to a point where we might, at a future date, come in with similar projects on our side whereby they would claim either prior rights or a right; what is the international law in this respect?—A. Mr. Chairman, I would not think you would want me to go into that matter comprehensively. I can, if you wish me to do so, produce a memorandum which the law officers of the crown have prepared for us, but I think I can answer the question very shortly.

Under article 2 of the treaty of 1909, the rivers which flow across the boundary are the rivers which are defined as international rivers in the bill that was referred to earlier in the discussion today, which is now the law of Canada.

The treaty states that—the exclusive jurisdiction and control over the use and diversion, whether temporary or permanent, of all waters on its own side of the line which in their natural channels would flow across the boundary or into boundary waters; but it is agreed that any interference with or diversion from their natural channel of such waters on either side of the boundary, resulting in any injury on the other side of the boundary, shall give rise to the same rights and entitle the injured parties to the same legal remedies as if such injury took place in the country where such diversion or interference occurs;

That means that if we were to make a diversion, for example the diversion through the route of the Eagle Pass, and the United States was injured by that diversion, they have the right to come into the courts of Canada and present their case under Canadian laws. The parliament of Canada, in ratifying the treaty, passed an act which with various amendments has been carried up to the present date. It is entitled 1-2 George V, chapter 28, An act relating to the establishment and expenses of the International Joint Commission under the waterways treaty of January the eleventh, nineteen hundred and nine. This act names the Exchequer Court of Canada as the competent court of jurisdiction in those matters.

As I say, in relation to these diversions, we have taken the precaution most carefully to consult the law officers of the crown, the legal officers of the Department of External Affairs and so on. We have their assurance that this policy of first in time first in right, which the United States has been proceeding under, has no currency in Canadian law and never has had any currency. In this connection the most important considerations are related to the water law of the province of British Columbia. That is the law, we are told, which the Exchequer Court would enforce. That law recognizes there is no acquisition of water rights except by authority of the comptroller of water rights of British Columbia. Therefore if a person should take water into use upstream in British Columbia by way of diversion and if that were to result in somebody being deprived downstream of that water, who did not have a permit for it, he would have no rights whatsoever under the British Columbia law.

We, as engineers, feel that it is up to us to take note and pay regard to the advice of those who are schooled in the art of law. However as I said before we in this commission feel there would be some composition not quite so extreme. It may be, and I would be the last person to question the judgment of these lawyers; but we believe, in the commission itself, with the authority and functions which have been vested in the commission by this solemn treaty,



that we have some part in establishing international law ourselves in relation to the matters under our jurisdiction. Mark the words "under our jurisdiction". We think of the one case, as I said earlier, in which the commission acted in connection with the waters flowing across the boundary at the Columbia Gardens from Canada into the United States for the Grand Coulee dam; and while we did not specifically approve the use of the four million acre-feet for irrigation and did not specifically approve the supply of water for 1,990,000 kilowatts of electric generation, we did in fact take note of those when we passed that order which was designed to protect the interests of the plant at Waneta from backwater. We did think it was rather difficult for us to refuse that as something which was very little for us to give.

What I want to say again, and what I said two years ago, is that we believe that we can live, in all the projects that we have put forward, with this commitment for the use of water. We think this is one of the things which we might offer to the United States certainly on a firm basis. As I said yesterday, our own jurisprudence has implied very forcibly that the reference of 1944 is something which all courts must take account of and that that reference having been made for a study of these matters, it is very doubtful whether anybody by grabbing can acquire any solid right and they cannot foreclose or preempt, and that makes good sense to us.

*By Mr. Kucherepa:*

Q. Have there been any precedents set in the international court at the Hague? There must have been cases where decisions have been taken in connection with rivers dividing countries. Are there any precedents arising out of this? I realize that this could result in a multi-billion dollars of damage at a future date if there was a different interpretation put on the meaning of the act.—A. I am going to venture for a moment in order to attempt to answer your question. I will ask my legal advisor to keep a pretty close watch on what I say as I am in a field in which I do not have much knowledge. I am repeating advice which has been given to me to a large extent. The first thing I would say is that the best presentation, I think, of the international law of rivers was made by what is known as the Indus (Rau) Commission. Mr. Rau agreed, before he tried to settle these problems between Pakistan and India over the water use there, that they would agree on a description as to what is international law regarding water. In the Rau Commission's findings as to the law, which were accepted by the parties to the dispute, it was stated that the factor which stood highest in international law was that if there is a treaty between the two contestants, it is the treaty which is the international law. Carrying that forward to apply it to Canada, the treaty is the treaty of 1909, and the relative article is article II which I quoted rather extensively here. It is on that doctrine of international law, which makes international law specific in this instance, that we are relying for our rights in this case. I do not know that I can go any further than that, except to say again, in this context, the proposal which the Canadian section has evolved is not an extreme proposal, it is a moderate proposal. It has been essentially designed to give our great neighbour to the south the maximum possible advantage which the Canadian commissioners, in their conscience, can give without detriment to the people of Canada.

*By Mr. Kucherepa:*

Q. General McNaughton, did you remark yesterday that the American section of the commission was not happy to even discuss this diversion plan?—A. The American section of the commission has taken a varied view which we do not consider as suitable. It is a view which, in essence, calls for our acquies-

cence in respect to the use of resources properly belonging to the people of Canada for the benefit of the United States, and we are not in favour of it.

Q. This is the impasse which concerns us?—A. Yes, and we have to resolve it.

*By Mr. Jones:*

Q. As I understood it, you said that the people downstream are entitled to bring a case before the Exchequer Court, but the Exchequer Court would apply the law of British Columbia in this instance, under which they would have no rights?—A. That is right.

Q. So it is an illusory right?—A. I am not suggesting that we put forward the intention of the Canadian people, but this Canadian proposal has had great public support, and there is great force of opinion behind it.

Q. I am not referring to that aspect of it, I am just dealing with the legal aspect.—A. I suggest that they have taken a calculated risk on pretty small foundations.

*By Mr. Montgomery:*

Q. You cannot stop them from starting if they want to?—A. I will repeat what I have said to this committee already; we would favour the type of commitment that we felt might have been regarded as morally established by the International Joint Commission's Order in respect of the Grand Coulee dam. With that commitment we feel that we can live with the United States. It draws a very reasonable line in allocating benefits to one side and to the other. We feel that is particularly so when we adjust the timing of our works to fit in with the requirements south of the border, giving them additional flows of water until they can develop their own storage.

*By Mr. Jones:*

Q. Do you think that this stand, which you anticipate should be taken, should be expressed to the Americans at this time in order to forestall partial implementation which might arise as a result of greater speed in getting their projects started?—A. I would like to impress upon you that we are in fact making progress in the commission. While I do not pretend that we are not meeting with very strong resistance, and every conceivable kind of argument that can be marshalled against us, as a result of patience we are gradually breaking down this opposition. There is a widening circle in the professional ranks of the United States that appreciates the sense and reasonableness of what we are trying to do. I can assure you that our position is reasonable.

Q. Perhaps we might approach it from a little different angle, sir. If a project is contemplated south of the border do they require permission from the International Joint Commission to commence that project.—A. They are only required to go to the International Joint Commission for authority in respect of cases coming under articles III and IV—where works built would have the effect of raising the levels of water on the other side of the boundary. That does not mean, as was shown to us when we were on the opposite side, that if we take water into use that is under the jurisdiction of a particular state, that we are not acting at our own risk. The illustration which I gave in answer to a question a few moments ago in regard to Waneta shows that this doctrine is essentially held to this day, despite all the talking that has been going on in some irresponsible quarters in the United States. When it came to an actual case of flooding, such as the 2-3/10 acres of ground I mentioned the United States Commissioners put in a clause which completely protected the Pend d'Oreille and Flathead reservoirs, power plants and so on. They specifically

included that essential requirement in the commission's order before they would sign it. The 2-3/10 acres of ground will protect the power developments that eventually will produce a couple of million kilowatts, to say nothing of the four or five million acre feet of storage. I should not say that this 2-3/10 acres is useless land. Due to its location it is probably the most valuable land in the United States, because it is the basis for this protection.

The CHAIRMAN: I hear the bell ringing. Perhaps we should recess until 5.30. I hope enough of you come back to make quorum.

Mr. COLDWELL: Mr. Chairman, I wonder if there will be enough members back at that time? I cannot come back until Monday.

The CHAIRMAN: Perhaps we should adjourn now.

Mr. KUCHEREPA: You could adjourn at the call of the chair, and if enough members come back you can proceed, if not it will be all right.

Mr. COLDWELL: I think we should adjourn now. General McNaughton has had a heavy afternoon as it is.

The CHAIRMAN: The meeting will adjourn to the call of the chair.







HOUSE OF COMMONS

First Session—Twenty-third Parliament

1957

Government  
Publications

STANDING COMMITTEE

ON

# EXTERNAL AFFAIRS

*Chairman:* H. O. WHITE, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

Main Estimates of the Department of External Affairs  
1957-58

MONDAY, DECEMBER 16, 1957

Statement by General A. G. L. McNaughton, Chairman, Canadian Section,  
International Joint Commission.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1958



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J. E. O'Connor,  
*Clerk of Committee.*

## MINUTES OF PROCEEDINGS

MONDAY, December 16, 1957.

The Standing Committee on External Affairs met at 3:05 p.m. this day. The Chairman, Mr. H. O. White, presided.

*Members present:* Miss Aitken, Messrs. Best, Fairfield, Garland, Gauthier (*Lake St. John*), Herridge, Holowach, Jones, Jung, MacEachen, Macquarrie, Martin (*Essex East*), Montgomery, McCleave, Patterson, Pratt, Smith (*Calgary South*), Stewart (*Winnipeg North*), Stick, and White.—(20).

*In attendance:* General A. G. L. McNaughton, Chairman, Canadian Section, International Joint Commission; Miss E. M. Sutherland, Secretary; Messrs. D. G. Chance, Assistant Secretary; J. L. MacCallum, Legal Adviser; E. R. Peterson, Engineering Adviser; W. D. Matthews, Assistant Under-Secretary of State for External Affairs; J. H. Cleveland, Director, American Division, Department of External Affairs.

The Chairman observed the presence of quorum and called Messrs. Mathews and Cleveland to answer certain questions asked at a previous meeting.

Their questioning concluded, Messrs. Matthews and Cleveland were retired.

General McNaughton was called and answered questions asked at previous meetings.

By leave of the Committee, it was ordered that the following maps and documents be printed as appendices to the record of today's proceedings:

1. Saint John River—Profile (*Appendix "A"*)
2. Saint John River Basin—Map (*Appendix "B"*)
3. Souris River Basin—Map (*Appendix "C"*)
4. Profile of Kootenay, Columbia, Fraser and Thompson Rivers (*Appendix "D"*)
5. Map—Northern Portion of Columbia River Basin (*Appendix "E"*)
6. Hydrograph—Fraser River at Hope (*Appendix "F"*)
7. The Waneta Order (*Appendix "G"*)
8. A reprint entitled "Coexistence of Fish and Dams" (*Appendix "H"*)

General McNaughton made a further statement and answered questions relating to the following subjects:

1. Saint John River Reference
2. St. Lawrence Power Project
3. Lake Ontario Levels Reference
4. Niagara River Reference
5. Air Pollution Reference
6. Water Pollution
7. Rainy Lake Convention
8. Souris River Reference
9. Souris-Red Rivers Reference
10. Sage Creek Reference

General McNaughton's questioning concluded, he was thanked by the Chairman and retired.

Item 112—International Joint Commission—Salaries and Expenses—was adopted.

Item 113—International Joint Commission—Studies and Surveys—was adopted.

At 5:55 p.m. the Committee adjourned to meet again at 11:30 a.m. Tuesday, December 17, 1957.

J. E. O'Connor,  
*Clerk of the Committee.*



## EVIDENCE

MONDAY, December 16, 1957.  
3 p.m.

The CHAIRMAN: Will you please come to order. Before we proceed with the statement of General McNaughton, you will recall that Mr. Patterson asked a couple of questions regarding the political discussions that had gone on regarding the Columbia river basin. I am sorry to say that we thought possibly we could work this matter in on Friday when we met, but the committee took longer than I had anticipated, and I am sorry we kept them waiting around here all day on that occasion and then did not call them. So before going on with General McNaughton's talk, I am going to ask Mr. Matthews and Mr. Cleveland to come up here and we will dispose of those items first.

Mr. W. D. MATTHEWS (*Under Secretary of State for External Affairs*): Mr. Chairman, Mr. Cleveland is head of our American division, which division is responsible for these matters within our department, so I would ask him, as a person who knows a good deal more than I do on the subject, to answer Mr. Patterson's questions.

The CHAIRMAN: Thank you, Mr. Matthews.

Mr. PATTERSON: Mr. Cleveland, I raised a question a few days ago relative to the position in which the negotiations are now existing between the Canadian and the American governments. Are there at the present time any diplomatic or political negotiations going on between Canada and the United States in regard to the Columbia river development?

Mr. J. H. CLEVELAND (*American Division, External Affairs*): Yes, sir. I wonder if I might just enlarge for a moment. The short answer simply is "yes", but if I may be permitted to do so, I should like to mention that in the joint press release put out by Canada and the United States on May 23, 1956, there were two significant statements made: first, "the two governments realized that there may be no easy or quick answer to the problems which are arising today", and the second, "the two governments believe, however, that a full and confidential exchange of views may contribute to the resolution of these problems". The discussions through diplomatic channels are on a continuing basis and are not restricted to formal meetings or formal conference type of meetings. Contact is maintained at various levels of government and there is more or less activity from time to time, depending on the points that have been reached in the domestic considerations of the various questions that are involved.

Mr. PATTERSON: Is there a committee in Canada and a corresponding committee in the United States that are carrying on these negotiations as I believe there were at the time when it was more or less removed from the International Joint Commission's jurisdiction?

Mr. CLEVELAND: No sir, that is not strictly the case. The composition of the group which may meet at the present time from one side with the other side is completely fluid. There is no regulation as to the number of persons or which persons they shall be. The reason for this, of course, is that if you are discussing a question pertaining to law, you will probably load your group with lawyers. If it pertains to engineering you may load it with engineers and so forth, always with a small residue of people, who are called, for lack of a better name, foreign service officers or diplomats.

Mr. PATTERSON: There is just one more question which I should like to ask in this connection: in these negotiations or discussions have there been any representatives from the province of British Columbia sitting in as observers or in any capacity whatsoever?

Mr. CLEVELAND: No, not in the formal meetings that have been held, not in the meetings. Of course there has been contact outside and on the occasion of the formal meeting in Washington on the 20th and 21st of May this year, one minister from British Columbia and the chief of the water resources branch in British Columbia were both in Washington. They were discussing matters with members of the Canadian group.

Mr. PATTERSON: Well then, at the present time, we understand that negotiations are being carried on through diplomatic or political channels and also through the work of the International Joint Commission?

Mr. CLEVELAND: That is right, sir.

Mr. PATTERSON: By the way, there was an article in the Gazette this morning—I have not got it with me—inferring that this is going to be a long drawn out procedure. Would you comment on that at all.

Mr. CLEVELAND: Sir, I do not know how long it will be before I am posted abroad again but the intention was, when I took up my present appointment, that I should stay until these negotiations were completed.

Mr. HERRIDGE: That is a diplomatic answer.

Mr. PATTERSON: Those are all the questions I have on that matter.

The CHAIRMAN: Thank you. Now we will continue on from our last meeting. General McNaughton!

**General A. G. L. McNaughton, Chairman, Canadian Section, International Joint Commission, recalled:**

The WITNESS: Mr. Chairman, may I make one correction which is necessary in my remarks of the meeting before last in regard to the St. Croix river.

Mr. PATTERSON: Mr. Chairman, are we leaving the Columbia now and going back to the St. Croix?

The CHAIRMAN: Well, I was rather of the opinion that we had about concluded the Columbia.

Mr. PATTERSON: Well I have two or three more questions I should like to ask.

The WITNESS: That is all right. I was only trying to get this matter of information corrected, and then as far as I am concerned I am glad to take any part or answer any question, or anything you are prepared to pose.

The CHAIRMAN: I think the wise procedure would be to allow General McNaughton to make the correction and if there are further questions about the British Columbia projects, it will be in order.

The WITNESS: I said at the meeting before last, sir, that the commission would receive the preliminary report of the International St. Croix River Engineering Board on the 15th of this month. In fact, we have seen the unofficial copies of it but there were some minor changes needed which were necessary to bring it up to date. I now learn that it will be the 21st of December before public release is made. I am glad to have the opportunity to make that statement because the report is of great interest in the maritime provinces and people were inquiring as to why they could not get them since the 15th was past. It will be out at the end of this week. That was the only correction I had to make.

The CHAIRMAN: Before General McNaughton proceeds there was one question that was brought up that I intended to put before the committee last week. General McNaughton displayed several maps and the question was asked would it be possible to have those maps reproduced as a part of our daily report. There are one or two other maps that were used and could be used, and if it was the wish of the committee to include them, we would include all of the maps. Is that the wish of the committee?

Agreed to.

The CHAIRMAN: When you were answering some other question, there were a couple of questions I should have liked to ask General McNaughton. One question is: what is the percentage of sockeye salmon that originates in the Fraser river? The other question is: what is the horse-power per capita that is now available to Canadians? I have read somewhere that the high standard of living of countries is based on the availability of horse-power for each individual in the land.—A. As regards the sockeye salmon the figures which I quoted at the last session were an average for the period 1951 to 1955 inclusive. For that period, the information I have is for the salmon originating in the Fraser river. The values for that period, which were worked out from public records, were—and this is salmon landings in Canada from the Fraser—\$5,800,000, and the production was \$12,600,000. Because those figures have been questioned by the gentlemen who have a close knowledge of the situation in respect of the salmon fishing on the west coast, I had the matter taken up by the Department of Fisheries here. I have before me a table which was released by that department this morning. This table does not cover quite the same period, apparently, as the figures which I gave. Also the values are not put up in quite the same way as they are worked out in my table. However, I imagine this information, which is authoritative, will be useful to the members of this committee. This table is headed Summary of quantities and value of commercially caught salmon originating on the Fraser river system; it is the average production for the period 1952-55 at the 1955 Canadian prices. The landed value, on the average, has been put for all the salmon at \$8,940,000, and the value f.o.b. plant at \$19,555,000. Those are landings by Canadians. The total for the Canadian and the American landings is \$14,698,000 and the value f.o.b. plant is \$32,313,000. That is a compiled figure and it is an average catch at the values of the last year.

Now, I have some further information on those values which stems from the United States. It says that the Fraser river salmon fisheries are now worth over \$15 million annually to the two countries with a potential value of over \$26 million. I am making those corrections to the figures which I used.

The other matter, in which there is an outstanding question, is that Mr. Patterson asked about the Waneta order. I have obtained a copy of the Waneta order and I am making it available to him.

Mr. PATTERSON: Thank you General McNaughton.

The CHAIRMAN: Would the committee like to have this entered as an appendix to today's proceedings?

Agreed to.

*By Mr. Montgomery:*

Q. Mr. Chairman, before we leave this, General McNaughton mentioned it had a value now of \$15 million and a potential value of \$26 million. What is the period of years which is covered in that potential value?—A. It is set as an outside potential value.

Q. It might be in this generation or fifty years from now?—A. Yes.



*By Mr. Herridge:*

Q. Before we leave the Columbia river, the other day I asked the general a question about assurance that the maximum height considered on the Arrow lakes was in the neighbourhood of 1402. There are many people who live out in that area who are not quite sure what these elevations mean. Would you mind explaining briefly just what effect raising it to 1402 would have on the economy, for instance, at a place like Castlegar, Nakusp or Arrowhead?—A. Mr. Chairman, the figure of 1402 referred to is the height above mean sea level. It is also the approximate height to which the lake went in the 1948 floods; it is a sort of standard flood level. In order to illustrate this point, on the Arrow lakes the flooding at 1402 and the flooding at the other level 1446—

Q. That is the level proposed by certain American interests?—A. That is the high proposals which have been put forward for the high level flooding of the Arrow lakes in order to create a reservoir which would have a total value of some seven million acre-feet available for annual release for benefit downstream. The flooding at 1402 is shown on the map by the light yellow and the flooding at the higher level of 1446 is shown by the orange colour. I have not brought the maps of the whole area. This shows only representative places. This is the region above Castlegar at section eight where the dam, if built, is to be located. Then, this is the Nakusp narrows. Section eight is right here.

Q. There has been some confusion on the part of the press and on the part of some members of the committee. They are confused concerning the Castlegar dam and the Murphy creek dam. In some cases they believe it is the same dam.—A. I would be glad to explain that. Would you please give me the profile which goes down as far as Murphy creek? The Murphy creek dam is situated below Castlegar. It is on the main stem of the Columbia. The proposal is to build a dam there which might create a head of up to 77 feet when there is no backwater. The usual head which will be available at Murphy creek is about 60 feet.

This dam at Murphy creek will raise the water level to 1402 feet and that level will extend substantially at 1402 feet into the lower Arrow lake and the proposal is that the narrows at Nakusp should be dug out so that by and large the two lakes will move together and if you draw water off the lower lake, the water in the upper lake will fall to about the same level as the water in the lower lake. It will not fall absolutely the same. There will always be some delay in the passage of water but it will be substantially the same.

Under those circumstances with that one dam at Murphy we would be able to store on Arrow lakes approximately 3.1 million acre-feet of usable water on a basis of 32 feet of drawdown which is available for use in the United States. This other proposal means that the Murphy creek dam would be built as it has been indicated, but there would be another dam superimposed on the system, and that dam, purely a storage dam, would be built at section 8 above Castlegar, and that is the one which would raise the lakes from there on up to this elevation of 1446 feet. And, similarly with this arrangement as with the one I outlined, the levels of the upper Arrow lake would be slightly higher than the levels of the lower lake. As for the method of use, there will probably be no power at that site. The dam would be used purely for storage purposes and that storage would be released to suit the advantages of the United States to the south of the line. It serves a very limited purpose and advantage to Canada in that the storage would be used on the average at Murphy creek through a head of about 60 feet.

May I refer to that again because the point is of very, very great significance to Canada. Under the proposals that have been worked out, large as these flows of the Columbia may seem, when they are put down in arithmetic, they are in fact, strictly limited and the water is of tremendous value. If the plans that have been put forward by the Canadian section of the commission

are carried out there will eventually be a diversion from the Columbia into the Fraser of some 15 million acre-feet. There will not be enough water in the average year to fill both the Mica creek dam and the Bull river-Luxor dam which are right at the top of the watershed and also to fill the Arrow lakes dam. The Murphy creek with its smaller storage of about 3.1 million acre-feet or thereabouts can be filled under all conditions except those of the extremely low years—the years that occur very occasionally. If we have any commitment to the United States under those conditions, we would use that 3.1 million acre-feet in the Murphy creek dam to discharge that obligation to save the American groups harmless as against the state of affairs created by the commission's order on Grand Coulee and conserve the water in the upper reservoirs.

The reason why we want to save the water in the upper reservoir is this: the energy in the stored water is proportionate not only to the volume but to the usable height above the Boundary. In the case of Murphy creek that usable height is about 60 feet. In the case of Bull river-Luxor and Mica group of reservoirs, it is about 1,200 feet and in consequence the ratio of value, as far as Canada is concerned, is of the order of 20 to one and that is the reason why we feel that it is most unwise and uneconomical for Canada to store water in the Arrow lakes for use in power when we could draw one unit out of it, and with the same water stored higher up, we could draw 20.

*By Mr. Patterson:*

Q. Is that proposed dam there at about the site of the proposed famous or infamous Kaiser dam?—A. That is right, it is substantially in the same section of the river. I believe in some of the recent engineering investigations there have been some modifications as a result of some foundation trouble.

Q. What would be the storage in that dam?—A. The total storage in the two dams together is just over 7 million acre-feet.

Q. About 4 million on the Castlegar. What did you say about the Murphy one?—A. It is pretty hard to put that in that way because this cuts right into the Murphy creek dam and raises the level from section 8 up, so you have to get a comparison. In order to arrive at the sum total you have to take the total of the Murphy creek and Castlegar dam and that would be about 7 million of usable storage.

*By Mr. Herridge:*

Q. Would you mind explaining or pointing out the flooding which would occur if that high level storage was developed as some American interests wish?—A. Here, sir, is this section 8 region in the channel above Castlegar which is about here on the map. If we had the 1402 level, the flooding is shown by this yellow mark along the shore. When you go to the 1446, the extra which is inundated, is shown by this orange mark. Now this section comes over to here again and we go on up into the lower Arrow lakes.

This is Reneta park which is shown as completely submerged. Here is Deer Park. Burton is right there.

Q. Almost completely flooded out?—A. Yes, it goes on up.

Q. Nakusp is also partially submerged?—A. Nakusp is on an escarpment high above, but the foreshore including the railway is flooded out.

Q. The mills and the pole yard would be flooded out?—A. Yes, that is all out. I skip now to the far end of the lake. Arrowhead lake is here and all the foreshore of Arrowhead would go. Galena bay is near here and then we run into the main river running off towards Revelstoke as you can see.

Q. That covers all good part of the land?—A. Yes, all good land put under water. Again may I emphasize that unless the United States were to pay us an extravagant price for the storage, there is no advantage to Canada in that proposal.

*By Mr. Patterson:*

Q. Mr. Chairman, I would like to ask General McNaughton if it is possible for development on the Columbia to be proceeded with prior to an agreement between Canada and the United States, for downstream benefits?—A. I would say the answer is yes. We are entirely masters of our own destiny. According to the law officers of the crown and the principal lawyers of British Columbia—who have spoken extensively about the rights of Canada under international law—and, in particular, the treaty of 1909, there is no reason why we cannot proceed. If we did proceed, arrangements must be such that, to be practical they have to be economical.

As I indicated in the testimony which I gave to this committee during the last two occasions—and, which information I have placed on the record of the International Joint Commission itself and elsewhere, when I have been called upon to do so—the costs of the projected development on the Columbia river are such, that unless we can get the benefits from the flows from our reservoirs downstream, they are not attractive economically. There are two ways in which this downstream benefit can be obtained. We can use the water through our own heads to the sea, which means a diversion through the Monashee mountain tunnels into the Thompson-Fraser system downstream. There is no great purpose and, in fact, no useful purpose served by making that diversion unless, and until there are developments on the Fraser into which that water can be put in order to develop power. The alternative is to use the water at dams downstream.

First of all I will take the Mica reservoir as an example. From Mica you would have the Mica power plant. Below that you would have a power plant at Downie creek, and below that one, the one at Revelstoke canyon itself. The combined capacity of these three plants is about 2,500,000 kilowatts. The next place where we have an opportunity to use the head is at Murphy creek where we have 60 feet. We would have roughly 1,200 feet of head below those storage reservoirs for development purposes.

Then you come to the border. The elevation at the international border is 1288 feet above sea level. The most recent plans of the United States development call for the use of 1247 feet in their plants. Those are the latest figures.

Once we have regulated the flows they are of tremendous value to any power plant downstream. The spate and flood flows have largely been taken off the crest and have been put into the reservoirs for use when the water flows have fallen off. If they are not held in Canada they will not be held at all. As things are, they will go straight out to the sea as spilled water beyond and around these great dams that our American friends are building.

What has been proposed as an interim arrangement, at least, is that the United States should be asked to recognize the benefits of this conservation of water and its release in regulated flow. It should also be realized that the power from those flows downstream, without regulation from Canada, would not be generated at all. There should be some equitable division of the power, and a portion of it should be returned to Canada. That is a very useful and beneficial arrangement for both parties, for an interim period.

I say "for an interim period" very deliberately for this reason: the head which is available to Canada for development below the Revelstoke canyon pool in the Fraser system is substantially the same as the head which is avail-



able to the United States below the boundary—1200-odd feet of head. The downstream benefits that eventually could be generated in Canada will be substantially the same amount that could be generated in the United States.

If we pass these flows over to the United States to use, it is not to be expected that the whole value will ever be returned to Canada. We might expect half, a quarter, or 60 per cent, or some figure of that sort, but there will be some portion of it which we will lose. By using the flows ourselves, we could obtain and conserve them for the Canadian people.

I would like to mention that this is much more than an academic question. Merely saying "downstream benefits" is not enough. We ought to impress on the minds of everybody a sense of proportion in regard to these matters. The water which can be eventually switched to the Bull river-Luxor and Mica dams, on the basis of 35 per cent drawdown, which is standard, is 15 million acre-feet. The studies, which include the diversion and the flows from the Kootenay, which have been carried out show conclusively that even in the worst year on record—were we to take 15 million acre feet out of that top section of the Columbia—that would leave at least 7,000 cubic feet per second below Revelstoke. I merely use those figures to show that we, by no manner of means, exhaust the possibility of diversion of 15 million acre feet. However, 15 million acre feet is a figure which is now agreed by all the engineers as something that could be achieved.

The next question is, what is that worth? If you take 15 million acre feet through 1200 feet of head,—to keep it in round figures—there is 1205 feet of head on the Fraser, after we have compensated for certain heads not used in Canada—available to Canada, and 1209 foot head available to the United States. An acre foot of water dropped through one foot will generate 1.02 kilowatt hours of electric energy at 100 per cent efficiency. We do not get 100 per cent efficiency so we have used, in our figures, 85% as the average efficiency of hydro electric generators through to the turbines, which is a fair figure. If you put this 15 million acre feet of storage through 1205 feet of head at 85 per cent efficiency you will get just under 16 billion kilowatt hours per annum. It is hard to give an impression of what 16 billion kilowatt hours actually is. Perhaps I might do it this way: a year has 8,760 hours in it; 16 divided by 8 is 2. This is something more than equivalent to 2 million kilowatt hours working every hour of the day and night for a year. That is an incremental benefit. It is an extra value which would come to the Fraser plants when they otherwise would be low. It does not mean very much additional work on the turbines, generators, or any of the equipment because this is, as I say, an incremental benefit filling in the gaps. That is the kind of thing which is at stake. It is literally an empire's ransom. Have I given enough of a sense of proportion of it?

Q. Yes, thank you.—A. On the flooding and what the value of these downstream benefits would be to us.

Q. Yes.

*By Mr. Patterson:*

Q. Coming back to one or two questions in regard to fisheries again, I think, General McNaughton, you indicated the other day that the International Pacific Salmon Fisheries Commission was taking a very bull-headed—if anything about fish can be bull-headed—attitude on this proposition. Are you suggesting that with regard to this matter we should proceed on the recommendations of the United States Federal Power Commission in opposition to the recommendation of the International Pacific Salmon Fisheries Commission? —A. Mr. Chairman, I would like to be able to answer that question with a yes or no, but I do not believe that the question is susceptible to being answered

in quite so simple a form. What I pointed out is that we have this resource in the Fraser basin. This resource as it has come before the public has in essence two aspects: one, the power, and the other, the fish. And the important thing for the future is to make sure that the people of British Columbia get the best of two worlds where it is possible to do so.

In the evidence which I have given before you I have had the privilege of quoting from the latest report of the examiner of the Federal Power Commission, Mr. Marsh. This was in the form of a Federal Power Commission decision on July 23 of this year. The Americans have reached the conclusion that by proper arrangements, people can have both power and fish.

Now perhaps I think it might be of interest to this committee to show you what that means on the Columbia river. I am afraid that it is going to be exceedingly difficult to show this small scale profile of the Columbia river in such a way that it can be understood.

This profile is from the sea, commencing with the Bonneville plants going up to Grand Coulee which is here; then the line follows the American channel up along the Pend d'Oreille and eventually up to the Flathead country, and this is Hungry Horse dam.

Hungry Horse dam is at 3,600 feet above sea level; and from there down to the sea it is practically a continuous series of dams and pools with very little in the way of lost head.

To illustrate that point a little further, as you use the figure of the elevation at the boundary which is here an elevation above sea level of 1288 feet, the latest proposals for the United States will carry development there to 1247 feet; so in this section of the Columbia river it is practically a continuous series of dams and slack water.

Now the thorough examination of that problem, which is I think a more difficult problem than the like problem of the preservation of fish on the Fraser, has shown that the United States authorities are convinced that these two developments of fish and power can go forward hand in hand at least below the Okanagan tributary.

I have already pointed out what happens to us if we do not do the same kind of development on the Fraser. If you were to say to the International Pacific Salmon Fisheries Commission—which is an international board—actually, it is international—we give way to you and we set the Fraser river aside for a salmon river, the next thing is that our downstream benefits from the Mica group of plants have ceased to have any value whatever because we have no alternative measure by which under our own authority we can put that water to use and get the benefit out of it.

*By Mr. Stewart (Winnipeg North):*

Q. Speaking as a prairie dweller who nevertheless is very interested in this matter, may I interrupt to ask you who are the members of this salmon fisheries commission and who do they represent?—A. Mr. Chairman, may I read the names of these gentlemen? This is the International Pacific Salmon Fisheries Commission. The chairman is Senator Thomas Reid who will be well known to all here. The secretary is Mr. Elton B. Jones who was formerly one of the United States commissioners; and the chief executive officer is a gentleman named L. A. Royal. That group have their headquarters at New Westminster, British Columbia. I understand that Mr. Royal is an American citizen.

The Canadian members of the commission as of the present are Senator Reid, A. J. Witmore of Vancouver, and Fred J. Mathers of Vancouver. I do not have the list of the American commissioners here. Does that answer your question?

Q. Yes. Do you know how many there are on the commission altogether?  
—A. The commission itself has six members.

Q. And we would have one half the membership?—A. We have one half the membership of the commission.

*By Mr. Patterson:*

Q. Would you care to comment on a statement Senator Reid made not too long ago when he said that Premier Bennett of British Columbia should tell the federal government—if you will excuse the language—to “get the hell away from the Fraser and mind its own business”. I think those were his actual words.—A. That is a kind of language I would prefer to refrain from commenting upon.

Q. Perhaps you would care to comment on the sentiment or the suggestion? But possibly it is not necessary because I think you have already clarified your position in regard to that situation.—A. I would like to say again that if this inhibition was placed by some strange idiosyncrasy on the use of Canadian water for power purposes it would mean that the downstream benefits there on the Fraser, or the upper Columbia and Kootenay, that are capable of being developed in Canada—that section of downstream benefits would no longer have market value. We are inhibited from using it because there is no other way to get the value of these storages through 1,200 and more feet of head that is open to us except to use them in the Fraser.

I would like to go on in that because I think it would be the wrong portrayal of the position that my colleagues and I have taken in the Canadian section. We have the best of evidence, accumulating evidence, to show, and it is strange that we have to come largely to look at what our American friends are doing in their own country to get the proof of it. We have evidence to show that fish and dams can co-exist and that if the matters are reasonably handled with give and take of both parties to adjust themselves to it there is no reason why both cannot be looked after economically.

Now, over the week-end the Journal of the American Society of Civil Engineers came to my hand. The American Society of Civil Engineers is one of the three great engineering societies of the United States. They are very careful with the kind of papers that are produced. They give thoroughly responsible and reliable figures and I see in the power division a report by two prominent members of the society, Mr. Preston and Mr. Rydell. Both are closely concerned with the United States' Army engineers and they have headquarters right in the Columbia basin itself. They have written this report to the American Society of Civil Engineers on the co-existence of fish and dams, and I was so impressed with the reasonableness and the correctness of this article that I telegraphed this morning for 50 copies to be sent up from the office in New York and I hope I may, sir, have the privilege of handing these over to the clerk for distribution.

They have taken this in essence, this much more difficult problem, representing not ten dams in a row but I suppose a dozen or more dams in a row on the Columbia, analysed it and showed that there is every hope of a satisfactory conclusion for both parties. It disposes once and for all of this myth that because we make a dam and the fish get over it that they will not find their way upstream through the slack water. It disposes of allegations which have been made that just because we put water into dams and we alter the temperature that we are not in position to help the fish too. They quote instance after instance in this paper where the proper cooperation between the fisheries people and the engineers in control of these dams has led to very great improvements in the fisheries resources, and so on, and this is



proper. I do not want to take all the time to go into it. I can take any aspect of it you like and quote from the paper because I read it with deep interest last night. These are professional men who know what they are talking about.

Mr. HERRIDGE: Because of the limited number of people who have that document, are there one or two pertinent paragraphs that you could quote for our record?

The CHAIRMAN: I was wondering if it would be possible to have the loan of that article and have it inserted in our report?

Mr. HERRIDGE: Is it very lengthy?

The CHAIRMAN: How long is it anyway?

The WITNESS: I should think with any luck, I would have these 50 printed copies in a few days.

Mr. STEWART (*Winnipeg North*): There are a great number of people who read these minutes of evidence and they are of great interest to them. They won't have access to this report and your suggestion that it be printed as an appendix would be a good one.

The WITNESS: I suppose we could do that without breach of copyright—I do not know.

Mr. HERRIDGE: It is such an important question; it is valuable information.

The CHAIRMAN: I understand we have the power to send for persons, papers and records and I do not think there would be anything wrong with having this particular article from this journal published. There are several pages and I think it is very informative.

Mr. HERRIDGE: Most important.

The CHAIRMAN: Is it the wish of the committee to have this entire article published?

Mr. HERRIDGE: I would so move.

Mr. MONTGOMERY: I second the motion.

The CHAIRMAN: Agreed?

Agreed to.

The WITNESS: Well, it boils down to this, that they have traced the whole history of the interruption of the salmon on the Columbia river by the building of the Grand Coulee dam. Then they had another thought about it, that they needed to conserve the resources, and they bent their minds towards it and started with the Bonneville plant which is the lowest of the plants. They built the fish ladders and experimented until finally now they have brought this passage of the adult fish up over the dam to a point where they have every confidence that within reason they can look after all interests properly.

*By Mr. Patterson:*

Q. Does that include the getting of the fingerlings down as well as the spawning fish up?—A. As you know, the problem falls into two parts; the problem of getting the fish up and then the problem of getting the fish down. You will find when you get this that there is a description of a great variety of methods of getting the little fish down over high dams and over low dams as well, their behaviour through different kinds of turbines—Francis wheels, Kaplans, and so on. There are results of experiments of putting 20,000 fry through these wheels and seeing what happens; putting them over the dams in free fall and with the new ski-jump type and the skimmer device that is proposed for the new dam on the Cowlitz river. And I think in reading this you will subscribe to the opinion that I quoted in not the last appearance, but the appearance before when I quoted examiner Marsh to say we have now

reached the time, and it was primarily in regard to the Columbia that he was speaking, that there is no need to deny a permit to build a high dam, that lies athwart the route of anadromous fish to the sea, either up or down. I believe that the same situation which is in that stage of approach to a final solution on the Columbia river is not as difficult on the Fraser river, provided we approach it with an open mind.

Now I do not think—if I may be so bold as to say—that there is any doubt about what is going to happen because the opinion of the people who are responsible for development of power in the west is already beginning to show itself and public opinion is beginning to show. As we stand, up to date, the cost to the domestic consumer, as I said the other day, is double in Vancouver to what it is in Seattle and Tacoma, and there is a limit to what people will stand in the way of exploitation of that sort to serve one particular interest. I do not believe we have to do a thing but what I feel is this, when this reaction comes, unless the fisheries people will—in place of doing what they have been doing, standing by and trying to make an enclave and hold everybody out of it—I think if they do that the public are going to revolt and in the end the salmon will disappear and we will have power. I believe that would be a great pity.

I believe we can solve this whole problem. But we cannot solve it when one great party, with a considerable vested interest, takes the position which is shown and which has been well illustrated in the press which comes to my desk from Vancouver. I got the Vancouver paper this morning and it is really something which literally makes one shudder; not because they attack me, I do not mind that. This is not my particular responsibility. My business and that of my colleagues in the commission is to point out that the only way by which we can get value for Canada out of these great resources which we have, and which are purely Canadian resources, is by having the opportunity to add to the Fraser flows to the extent I have mentioned to you here.

Q. Were you aware, General, of the recent statement which Senator Reid made in respect of President Eisenhower's comment that you were impossible?

Mr. McCLEAVE: I think this is an unfair question. You are getting into personalities.

Mr. PATTERSON: I was just asking if he was aware of this because it is something which is being said by a member of this parliament which is getting wide publicity in the province of British Columbia.

Mr. MARTIN (*Essex East*): I think that anyone who knows General McNaughton would know that this is a statement which could not be supported. These questions concerning a public servant are not really within the scope of our examination.

Mr. PATTERSON: I am not, of course, giving my assent to the suggestion there. However, I am not going to press the point.

The WITNESS: May I make a suggestion? I am quite prepared to face the music wherever it comes.

Mr. McCLEAVE: Even if it comes from Senator Reid's bagpipes.

The WITNESS: I have in my hand the exact message which the president sent to me. I am prepared to show it to Mr. Patterson. However, I do not think having regard to the responsibilities involved that I would like to make a public statement on it at this time.

Mr. PATTERSON: That is perfectly all right. In summing this up, I must express appreciation to the committee and to General McNaughton for their kindness because I realize I have taken up a considerable amount of the committee's time. As you know I am in an area where this whole matter is of tremendous importance.

I just want to make a very brief statement. Two other members of my group from the same area would like to be associated with me in this statement, the member for New Westminster and the member for Burnaby-Richmond. I would like to make my stand clear on the question of the diversion of the Columbia river into the Fraser river and the construction of power dams on the Fraser river.

I am not an engineer, but I am inclined to the view, which is held by many people, that several sources of energy are available now to take care of our needs for some time to come. Until the fish versus power controversy can be resolved into a fish and power proposition no action should be taken as far as the Fraser river is concerned. I think there are possibilities that other types of power might be available within the relatively near future. However, we consider the commercial value of the Fraser fisheries not only to our own country but also to the United States; we also consider the value, in terms of employment, to our people through that area not only in the actual fishing but also in the allied industries. When we learn that fish constitutes a real source of high-protein food annually which they tell us now is about 25,000 tons with a potential of 50,000 tons, when we consider all these facts I think it shows us why we in British Columbia and the lower Fraser valley area should be vitally concerned.

I think the International Pacific Salmon Fisheries Commission has done and is doing an exceptionally valuable and important work. Personally I do not feel that anything should be done which would jeopardize the achievements of that body. We are unalterably opposed to the power developments on the Fraser river until the fisheries' problem is resolved or until, or unless, we are forced by the exhaustion of all other sources of energy to reappraise our position. We should not contemplate proceeding with any project which will seriously affect or destroy the great fisheries of the Fraser river.

I just want to place that on the record in summing up the view of myself and some of my colleagues on this important issue.

Mr. STEWART (*Winnipeg North*): There is something I would like to say in view of the innuendoes. There is something I do not like, although it was probably unintentional. The fact remains that General McNaughton has been a very distinguished public servant and has brought honour to Canada when he represented Canada at the United Nations and when he has fought for Canada's rights and interests all through. I regret very much any reflection such as has been intimated being brought before this committee. It is unfair. We all have good reason to appreciate the work being done, and which has been done, by all people like General McNaughton.

Mr. PATTERSON: I would resent any inference whatsoever that I was placing my support behind the statement that Senator Reid has made. I think it is my right and my responsibility to question the value of one action as against another. I want the General to know that nothing I have said is meant as innuendo as has been suggested by the member for Winnipeg North. I just want to get the facts of the case and present the claims and the position of my people in the Fraser valley. I want also to feel that the international commissions that are being set up are doing the work which we should recognize.

With that statement I will close.

Mr. MONTGOMERY: Mr. Chairman, I would like to say a word about this because I was surprised at the statement made by Mr. Patterson. I looked at it from another standpoint. I believe that not only British Columbia but also the other people of Canada as well are interested in this great national resource. The very dangerous situation which has been pointed out and which is being backed apparently by Mr. Patterson and his colleagues is that they are backing the United States in this attitude which is going to make it very



difficult for Canada to be in a bargaining position, and, as General McNaughton has explained to us here, we will lose if we do not get something done to develop our own resources. Once we have lost them, as I understand it, we will not be able to get them back. At least to me it seems that a statement such as has been made here in the committee, and by Senator Reid and by the Pacific Salmon Fisheries Commission, is very injurious to Canada, to the International Joint Commission, and to any of the diplomats who are trying to make trade with the United States at this time. That is how I see it, because as I understand it the right to develop this depends primarily upon the province and if they are going to buck the federal authorities in trying to get what is fair and reasonable for Canada and for downstream rights, then I think it is playing right into the hands of the United States.

The CHAIRMAN: Does anyone else wish to comment?

The WITNESS: In view of the statements which have been made, I would crave an opportunity as a matter of privilege to place on the record a few statements made by power authorities in the province of British Columbia, in regard to the very points I have been endeavouring to raise.

I do not want the impression to go out that in the views which I have expressed I stand alone. I think the views which I have expressed, sir, are the view of all the people who have a grave responsibility for seeing to it that this great developing area of the lower Fraser basin is not deprived of cheap power which they might have with the resources given to them by Divine Providence.

Mr. CHAIRMAN, this is a public document that I am quoting from. It was a statement given by the British Columbia Power Commission's general manager. (Extract follows)

Specific Problems of the British Columbia Power Commission.

1. Power developments totalling 52,500 horse-power on the Sproat and the Stamp-rivers are being held up pending results of investigations on fisheries protection. The output of these plants is urgently required by this commission.

2. On the Puntledge river, a water licence was acquired and the power plant reconstructed. The plant may be having some adverse effect on a small run of spring salmon wishing to spawn upstream of the dam. The cost of permanent measures to protect this run appear extremely high in relation to its size, and out of economic proportion.

3. The power commission was blocked several years ago by the International Pacific Salmon Fisheries Commission from developing the Quesnel river. The fisheries commission appears to be dedicated to the protection of the fisheries without due allowance for the benefits of multiple resource development in the public interest.

4. A type of problem being put up to the power commission which is causing concern and even consternation with us, is the manner in which the commission is being asked to improve substantially upon state-of-nature conditions for the rivers, in respect to maintaining more than the natural minimum flows of water, and in respect to maintaining below-nature water temperatures in streams subject to wide flow and temperature fluctuations. These requirements have the effect of reducing substantially the resulting power output which is available, and of increasing substantially the cost of power to our users, both large and small.

5. The power commission is now planning the development of seriously needed power from the Chilko and Taseko lakes, by the diversion of some of these waters through the coast range. About 800,000 horse-power would be provided at a total estimated cost including

transmission of a sum in excess of \$235 million. Discussions have been held—this was addressed to the Minister of Fisheries—with my department and the International Pacific Salmon Fisheries Commission regarding protection of the salmon run consistently with development of power. The International Pacific Salmon Fisheries Commission, however, takes objection, to any change whatever in the natural inflows and outflow of Chilko lake. It considers that the natural environment of the lake and river must remain unchanged in their entirety.

An alternative scheme of developing the Homathko, an adjacent stream, has been considered, but its unit cost is at least 25 per cent higher than the Chilko scheme, even after allowing \$20 million for fisheries protective works. This order of extra costs is of most serious economic consequence to the people of British Columbia.

#### *Recommended General Bases*

Since the power commission is vitally concerned with the development of our power resources, and since it recognizes the mutual interests of fisheries, it feels that in the best interests of the public a positive approach to the problems is required on the part of all concerned. The following points are recommended for acceptance:

1. To secure maximum use of our water resources, that as between fish and power the mutuality of these two be recognized.

2. That the approach to fish and power problems be directed primarily toward achieving practical solutions without extensive delays.

3. That research on fisheries protection at power developments be extended and expedited, to reduce to a minimum the time involved in working out mutually agreeable solutions.

4. That the economic impact of fisheries requirements upon power developments be considered fully, and with the object of avoiding substantial power cost increase without fully commensurate benefits to the fisheries.

5. That the opposition of the International Pacific Salmon Fisheries Commission to projects such as the Chilko power development scheme be considered critically, likewise with a view to the economic impact on power costs if severe restriction or if prohibition of use is insisted upon.

The CHAIRMAN: I think, gentlemen, that in the several days which we have devoted to the British Columbia problem, we should pass on to the St. John river reference, on page 7 of the brief.

Before General McNaughton commences with the St. John river project, he has the figures which I asked for regarding the horse-power per capita available. I am sorry that I got into such an involved subject, but I am going to ask General McNaughton to briefly cover this aspect.

The WITNESS: Mr. Chairman, to answer that question, I cannot do better than make a reference to the publication Canadian Energy Prospects which has just been issued by the Royal Commission on Canada's Economic Prospects. This is a compilation from the hearings of the commission put together by John Davis, their economist, and if I might venture to refer to page 195, there is a chart giving the kilowatt hours per capita—it was the question you asked,—and cents per kilowatt hour in each of the principal power producing and using countries in the world. I might mention that the kilowatt hours per capita in Norway stands highest with 6,500 and Canada comes second with 5,200, followed by the United States in third place with 3,800. As far as general costs and average selling prices of electricity are concerned, the highest country in the world is Yugoslavia and the lowest is Norway and Canada is the second lowest.

The CHAIRMAN: We will now proceed with the Saint John river reference. I think in the past you have read the statement and then I have called for questions.

The WITNESS: May I follow that procedure, sir?

The CHAIRMAN: Yes.

The WITNESS:

*Saint John River Reference, 1950 as Amended 7 July 1952*

Again in the maritimes, I would like to report briefly on the Saint John river reference. As I mentioned last year the interim report of the commission dated 27 January 1954 is in the hands of the governments and since that time, we have received annual reports from the engineering board covering subsequent developments in the area.

I am pleased to report that the first 2 units of New Brunswick's Beechwood power project are now in place and will be in operation shortly. Action is being taken to provide electrical interconnection between New Brunswick and Maine which was recommended in the commission's report. In this respect I recall that on my appearance before this committee last year I was able to report that the state of Maine had repealed the Fernald Act which had prohibited the export of hydroelectric power from that state. Action has since been taken by the Department of Trade and Commerce (Canada) and by the U.S. Federal Power Commission to authorize the interconnection and the export of electric energy in the amounts proposed. The amounts are not large in comparison to various blocks of power available in other parts of Canada but under the special conditions of development in the region largely along the two sides of the Saint John river these arrangements should prove of material help in satisfying local needs of the area and we are hopeful that later these arrangements for cooperation may be further extended to the benefit of development in the Saint John river basin both in Canada and in the United States.

*By Mr. Stick:*

Q. General McNaughton, what water power will we have there? Will we have sufficient water power to make this project economical, and what will it cost per unit?—A. Mr. Chairman, the profile of the Saint John river is shown on the chart to the right. The Beechwood plant is the one which is hatched in.

The Beechwood plant, as a result of the commission's report, was built with two units in place and space for a spare. The reason the third unit could not be put in at this stage was because of the lack of upstream storage. There are a number of places where upstream storage might be obtained. There is Glazier lake on this tributary here—the St. Francis—this is the Saint John river running up here. There is Rankin rapids, which is the most favourable project of the lot. The dam at Rankin rapids would flood many miles upstream and would give 1,460,000 acre feet of storage. If we could persuade our American friends to build that dam, all our anxieties over these other sites downstream would disappear at once. We would have this adequate storage in order to provide for the effective and economical operation of all those plants. Until there is substantial storage upstream, our engineering board—our international board—who have made careful studies of two additional power sites, one at Hawkshaw and one at Morill, consider the costs are just too high to warrant any development at all. There is some further storage—not very much—up on the Madawaska, at Temiscouata, which is in territory owned by the province of Quebec. While that storage is not large it is very important. There are conversations going on now between the two provinces with a view to seeing what additional storage might be provided. So far there has been no agreement arrived at.

Q. What are the possibilities of getting the state of Maine to agree to storage there?—A. The answer to the problem lies in finding a use in Maine



for the at site power which would be developed at Rankin. Since the commission's report was produced, we put our emphasis on the building of the dam at Rankin rapids.

It has been further suggested that we should build a low dam at Lincoln School near Rankin, and a high dam above at Big Rapids. That would save the fish and wildlife interests which are very important along the Allagash river.

We had, a short time ago, the opportunity of raising that matter of storage with our American friends again, *de novo*. I am not reporting it under the Saint John river reference because it came up really as a companion to the tidal power development. It did not make any difference to us whether the investigation of these new projects was carried out under one board or under another board, and this attitude suited our American colleagues. They had funds available for tidal power studies. That study is going on now and we hope that in the end they will find some use for this at site power at Rankin rapids, to the benefit of some industry there. Automatically from that will come this question of downstream benefits. In this case we are on the paying end, but an equitable arrangement will be beneficial to both countries.

I would just like to say at this point—in case there is danger of my being misunderstood by my New Brunswick friends—that we are not seeking any different arrangement to what we are seeking in the west. We are aiming at a bargain which will be equitable and fair to both countries, having regard to all the circumstances involved.

Mr. JONES: Mr. Chairman, I would like to interject for a moment. This has nothing directly to do with this particular problem but I have been very greatly impressed throughout General McNaughton's testimony with the very excellent maps and diagrams that he has brought before the committee. I was wondering if it would be possible to have some of them photographed?

The CHAIRMAN: This has already been arranged for.

The WITNESS: I am afraid the details have been trimmed out entirely in order to try and make them legible. They are, however, useful for illustrative purposes. We will be glad to provide them for reproduction in the proceedings.

Mr. JONES: Thank you, General McNaughton.

*By Mr. Stick:*

Q. I would like to ask you if the Americans share the power that is developed at Beechwood?—A. No, sir. The flows going into Beechwood at the present time are substantially in the state of nature, as far as the Americans are concerned. They have made no contribution other than, of course, the fact that we sat down together and investigated it and balanced up a report that showed what should be done for the mutual benefit on both sides of the boundary which, as far as possible, short of the Rankin development, is going ahead now. I think, sir, that is no mean achievement on the part of the boards and the commission working together jointly.

We suggested certain changes in the legislation to the state of Maine. Those changes were accepted and a long-standing act which stood in the way of the export of hydro power was repealed. We made a suggestion to our own Department of Trade and Commerce that the export of surplus power in this area should be allowed. That permit was issued a few weeks ago.

This Saint John river is one place where we feel, while the amounts are not very large compared to these mammoth things we are doing out west, they are very important to people, and the recommendations of the commission are being made effective.

I should mention, to give you a sense of proportion, that if the Rankin rapids were built, the installed capacity would be approximately 250,000 kilowatts, which is a sizable amount of power for that region.

The CHAIRMAN: Any further questions on the Saint John river reference?

*By Mr. Montgomery:*

Q. I gather that the present two units are considered economically feasible?

—A. I could say economic in the region where other sources are very costly. I cannot give you the figure from memory but it is in the order of 6 mills which is high cost electric power. Most of the costs of hydro-electric developments come in the form of interest on the investment.

I understand from some statements we have read in *Hansard* that some provisions for refinancing on a more moderate interest basis have been made which will be of very very marked advantage in reducing the costs of power output of the Beechwood plant. Of course if that is carried on it would open up new possibilities for reconsideration of some of the other plans when we get a little more storage in sight.

Q. Is there sufficient water to develop the *Hawkshaw* and *Morill* dams at the present time?—A. There is enough water, but until we can get the interest cost down, the cost is great. You see, there are two factors.

The CHAIRMAN: Are there any further questions? If not, let us carry on with the St. Lawrence power project.

The WITNESS:

#### *St. Lawrence Power Project*

Turning now to central Canada, I would like to say a few words concerning the progress of the construction of the power works in the St. Lawrence which are being constructed and will be operated under the terms of the commission's orders of 29 October 1952 and 2 July 1956.

Any of you who have visited the Cornwall area recently will have been impressed by the magnitude of the works and the speed with which their construction proceeds. The work is proceeding on schedule; 1 July 1958 has been set as the target date for raising the level of the pool above Barnhart when the power plants commence operation; progress in the navigation works has been equally satisfactory and it has been indicated that 27 foot deep-draught navigation will be possible in the spring of 1959.

The International Joint Commission, with its International St. Lawrence River Board of Control, is continuing the studies of the regulation of the flows of the St. Lawrence so that the criteria laid down in the commission's orders as to the protection of both upstream and downstream interests will be met.

In accordance with the purpose of the Governments, it is the International Joint Commission's objective to provide the optimum generation of power at Barnhart island while increasing low levels in the interest of navigation, and reducing high levels in the interest of property owners along the shores of lake Ontario and the upper portion of the international section of the St. Lawrence.

The range of mean monthly stage on lake Ontario which has been prescribed by the U.S. and Canadian governments runs from 244.0 to 248.0 as near as may be which compares with a range in nature of 242.68 to 249.29—these levels are given in feet above mean sea level. While this reduces the storage available to the power entities when compared to a state of nature it is expected that the improved regulation of flows to fit in with the requirements of power will give substantial benefits in compensation.

The problems presented to the technical hydrological officers are full of difficulty more particularly because the regulation of such a large river system

as the St. Lawrence and lake Ontario has never before been attempted on the scale now deemed to be necessary. Perhaps this will be appreciated when I say that the St. Lawrence with the great lakes is naturally one of the best regulated systems in the world. The regulated range of stage is to be reduced from a total of 6.61 feet in nature to 4 feet under control. However difficult as this is our board is confident that with the facilities provided for control upstream at Iroquois and downstream at the outlet of lake St. Louis, this can be accomplished and that all the various criteria will be met. That is the expectation is that all interests will be benefited and none will be injured.

Shortly after the power pool is raised which is due to make place on or about 1 July 1958 the International St. Lawrence River Board of Control will take over responsibility for regulation from the St. Lawrence River Joint Board of Engineers, which has carried out these duties during construction. At this time the basis of regulation will change from the relatively simple requirement for maintenance of a state of nature during construction to the objective of 244-248 to give all concerned the benefits which are being sought. The commission has full confidence that this purpose will be fulfilled.

*By Mr. Stick:*

Q. What power will the St. Lawrence power project generate and what will be the cost per mill?—A. Have I got the New York power report here? What was the final figure? It is 4.3 mills is it not? Mr. Chairman, I have not got the figures under my hand, but if you will accept an approximate figure which would be very close, I can give it, but I would like to have the opportunity to correct it when I have looked at the calculation. The total installed capacity will be 2,200,000 horse power, which is 1,600,000 and some odd kilowatts. The cost, according to the figures that I saw worked out, and taking into account the changes that have been made as we followed them, is about 4.3 mills per kilowatt hour.

Q. I understand that the power you generate there will be shared between New York state and the province of Ontario?—A. Yes sir. This river is a boundary water and boundary waters are evenly divided; and so far as the boundary waters are concerned, the power is equally divided also.

The CHAIRMAN: Are there any other questions? I think most of the members have had an opportunity at one time or another of seeing the development there consequently they are much better acquainted with it than probably any of the other projects. Let us now pass to page 11, the lake Ontario levels reference.

The WITNESS: You will recall that in 1951 and 1952 we were in a cycle of very high water in the St. Lawrence system. In 1952 about the time the commission was taking over the responsibility from diplomatic and other channels in putting up a viable plan for developing power from the St. Lawrence flows—these flows extended up into lake Ontario and there was no means of regulation available; there was nothing that could be done about it. Nature was supreme, and there was a great deal of flooding and a great deal of hardship along both shores of lake Ontario.

Simultaneously with the task of trying to work out proposals for the development of power, the commission was given the responsibility to try to find some method of relieving them from the acute stage of lake Ontario with the idea of trying to get things right so that in the future we would not have to contend with this sort of trouble—at least we hoped we would not.

*Lake Ontario Levels Reference*

In discussing the regulation of the flow of the St. Lawrence river, it is also necessary to consider the regulation of the levels of Lake Ontario, which



is the subject of the reference to the commission dated 25 June 1952. This reference directed the commission to study the problem of reducing the extremes of stage on Lake Ontario for the benefit of the property owners on the shores of the lake both in Canada and the United States. The commission was also directed to study the effects of Gut dam and the other various factors which may affect the levels of Lake Ontario, and to have regard to the construction of the power development in the St. Lawrence river.

As a result, the studies on the Lake Ontario reference have been proceeding in concert with the studies on the St. Lawrence. The commission has received from the International Lake Ontario Board of Engineers its report on the regulation of the levels of the lake and this report has formed the basis for the design of river channels. The very comprehensive data and studies, produced by the Lake Ontario board, are now being used by the St. Lawrence board of control to evolve the specific methods of regulation which it will be their continuing responsibility to place in operation. Important aspects of the question of liability for any damages which may result from the regulation of levels and flows are under study by the legal officers of the two governments and it is hoped the commission may be given firm directions in this important matter before it becomes necessary to undertake responsibility for the operation of the gates. All in all, I can report to you continued satisfactory progress both in the Lake Ontario reference and in the St. Lawrence power applications.

I may say that the St. Lawrence River Joint Board of Engineers, which was a rather special board to supervise construction, was set up by the two governments in response to a recommendation in our order. It functions partly under the governments but in certain respects it acts for the commission as well and has done this delicate business of keeping the levels just as they would have been in a state of nature. As of the beginning of the month they were dead on, less than a small fraction of an inch out from what would have happened if the coffer-dams and so on had not been in the river. They had to do this regulating—and I would like to pay tribute to them—largely by controlling the construction of coffer-dams, and making sure when a dam was put in to block the flow in one place, something else was taken out in another. It could only be done by some one authority that was responsible for the construction as a whole, and it has been well done.

The CHAIRMAN: Any questions on that; if not we will pass on to the Niagara river reference.

#### *Niagara River Reference*

During last summer the remedial works required under the Niagara river reference of 10 October 1950 were completed and placed in operation. This reference had directed the commission to study methods whereby the erosion of the falls could be checked and their beauty preserved and enhanced while at the same time making more water available for the production of added hydro electric power so urgently required in both countries.

On 28 September this year, the Minister of Northern Affairs and National Resources, The Hon. Mr. Hamilton, the Secretary of the United States Army, the Hon. Mr. Brucker and the members of the commission took part in dedication ceremonies at Niagara Falls marking the completion of the remedial works. The effects were demonstrated and the results show that the objectives set have been successfully achieved. For this the peoples of both countries are deeply indebted to the skill and initiative of the technical officers concerned of both countries who have carried through this great task.

The commission proposes to continue to keep watch on this project to ensure that matters continue in all respects according to the plans recommended by the commission and approved by the two governments.

*By Mr. Patterson:*

Q. In layman's language, could you give us an idea what the remedial works were?—A. Yes, sir. The business which has bothered the people of the two countries for many many years has been the progressive erosion which was taking place along the crest line of the falls and there was every indication that this was becoming cumulative, because as there were falls of rock the water tended to get into a notch and with the increasing flow at a particular notch, the erosion started to go back progressively in that channel, leaving great expanses of the bed of the river entirely bare on the flanks.

Various successions of boards who have had this matter under advisement thought it was only a question of time until the falls would destroy themselves and in place of a cataract we would have merely a series of rapids. That has been a concern of beauty lovers in Canada and the United States over many years. The studies that were first carried out showed that what was desirable was somehow to bring about a redistribution of flow between the Canadian side and the American side of the falls in order that for the purposes of the spectacle there should be an adequate supply of water on both sides of the boundary and it should be distributed across the crest line in such a way as to eliminate these notches—concentrations of great flows in one place. That was the objective set by our board of engineers and hydrologists who were given the task of working it out in detail.

After many experiments because this was a priceless spectacle that nobody could take a chance with, you had to be not only sure in your own mind about what the result was going to be but you had to prove it and prove it and prove it so that everybody else was satisfied that what was done when you started to interfere with this great natural beauty, would be constructive and proper and entirely effective. Scale models of the falls were built at the United States Army Engineers' Experimental Station at Vicksburg down on the Mississippi, and in Canada an independent model was built for us by the Ontario Hydro Electric Power Commission near Toronto.

The commission set various tasks quite separately to the engineers on these two models and we went along for upwards of two and a half years before we received the same answer to the same problem from both sources. In other words, the two models had been brought into perfect coordination and once we had the models coordinated we authorized them to start on the study of the actual remedial works.

The remedial works were of two natures. First of all there were bare flanks both on the Goat Island side, on the American side, and on the Canadian side; and there was progressive erosion in the middle of the falls. One of the purposes to be achieved was to show this spectacle with the greatest advantage to the many tens of thousands of people who came to see it. The bare flanks were filled and made into parks and parts were built up and balustrades fixed up so the public could get closer to the spectacle. It narrowed the flow in a little bit and excavations in the river on each flank counteracted the concentration of flow at the centre of the falls in the greater length that had developed along the horseshoe. Then the other, and the most important, was to find some way by which the flow of the river itself could be controlled upstream so as to allow a proper proportion on the American side and a proper proportion on the Canadian side to get this uniformity of appearance across the crest and keep the colour right, and eliminate some of the spray that came up so people could see the spectacle.

Now all through these various stages, as we proceeded, we had meetings in Niagara and we invited to come to sit in with us all the people, parks people and others, of the two countries who were concerned in any way with the

spectacle. We gave them an opportunity to see what we were doing and to express their views on it; to give us counsel and advice, and we carried on from there.

The other day when we had the privilege of dedicating these great works and seeing the control structure and the great gates in operation, there was not one word of dissatisfaction with the result that was achieved. I think that the task has been well done by our technical officers and we must now see to it that this is maintained, and the commission will have a responsibility down through the years. We must bear in mind that not only have the falls been fixed up, but also these great extra amounts of water for the generation of power have been made available more particularly at night when no one is looking. I believe this is one place where we have had all the benefits and not, I venture to say, even a grievance.

*By Mr. Stick:*

Q. I noticed a week ago on television that the Americans had blown off part of the cliff on their side of the falls because of the danger around there to sightseers. Did they consult you on that?—A. That was some time ago I believe.

Q. Yes—A. Unfortunately on that side of the river close to the shore line there is a stratum of very soft limestone and it had undercut and a crack developed suddenly without warning. There was no question at all as to what had to be done. The loose rock had to be cleared away. We were told about it, but the United States army engineers took responsibility for the remedial measure proposed. There was no doubt that they were right. We went there to see it.

Q. Did they consult you?—A. There was no time for consultation. It was clear to all the technical officers what had to be done and they did it. We would have done the same thing had we had the same trouble on our side.

The CHAIRMAN: The next item is the air pollution reference.

The WITNESS: I now turn to the subject of the reference to the commission of 12 January, 1949, dealing with the problem of the pollution of the atmosphere in the Windsor-Detroit area. Again this year I am able to report continued progress.

I mentioned last year the primary duty of the commission under the reference was to ascertain whether vessels plying the Detroit river were polluting the air by discharging excessive smoke and if so to recommend preventive measures. It was found that the ships certainly were polluting the air but also, it was found that there were other contributing factors which required investigation.

The commission's Advisory Board has worked in close consultation with the vessel owners through the Dominion Marine Association in Canada and the Lake Carriers' Association in the United States to establish realistic objectives for the control of vessel smoke. With the assistance of these associations, control has been carried out on a voluntary basis to test these objectives and to promote the development of improved boiler firing equipment etc. to abate the smoke nuisance. This has required the expenditure of considerable sums by the vessel owners.

Another complicating factor had been that the worst smoke producers were the small vessels in the hand-fired class, which are obsolescent and which would probably be displaced when the seaway was opened in 1959. It was necessary in the public interest of both countries that these vessels should continue to operate in the interim but any large expenditure on improvements could not be justified. In the light of these considerations, the commission has sought to use the time available before the opening of the seaway to the best advantage to develop proposals which would be appropriate to the conditions



and requirements which would then exist. At that time it is probable that the old hand-fired vessels will largely be withdrawn from service and so this, the most difficult aspect of the problem, will disappear.

The Technical Advisory Board has now submitted its final recommendations to the commission. Copies of these recommendations have been distributed to the various interested agencies and the commission hopes to hold public hearings in the Detroit-Windsor area about the middle of February 1958. When we have conducted these hearings and have received the complete report from the Advisory Board we will make our report with recommendations to the governments.

I would hope that the commission's report to governments might form the basis of a uniform code of permissible smoke emission for all parts of the seaway from Montreal through to the lakehead as I think it would be impracticable to demand that ships' captains understand and comply with the many separate codes of the various authorities on this long route, which otherwise are practically certain to come into existence.

The commission plans to continue its voluntary program through the 1958 shipping season and into 1959 and it expects to maintain its laboratory at Windsor during the 1958-59 fiscal year but operating on a reduced scale, so that the service of collecting relevant information during the past years will be continued and so that responsible officers can continue to advise ships' captains that they are or are not complying with the objectives. Also, as this period will be one of transition from one authority to another, and it is not yet certain which authority will assume responsibility for prevention of air pollution, these actions are necessary to bridge the gap and to give continuity to the program of vessel smoke abatement and to conserve the benefits already obtained until some permanent organization can be created and take over responsibility.

*By Mr. Stick:*

Q. I take it when you referred to the old hand-fired vessels that you were referring to coal burning vessels?—A. Yes. The old canallers of 2,000 tons and 14-foot draft. We could not have done without them; neither country could possibly have got along without those vessels in the interim. On the other hand, the public of both countries is becoming very conscious of air pollution. There have been, as you know, a number of disasters due to smog, particularly in Donora, near Pittsburgh and in London. Hundreds of people have died and it has been suspected that others have died prematurely. A vessel is a very conspicuous thing going down the Detroit seaway and if there is a little bit of smoke or smog on both sides of the river it is said that is the thing which is polluting the area. We have had, psychologically, a lot of trouble over it.

I think it is worthwhile, because we are now very close to agreement with the vessel owners and the public on the question of smoke abatement which should be satisfactory, not only for the inland shipping but also for these ships which will come into the seaway in increasing numbers. We are hopeful we have it to a point where the legislators of the two countries can take hold of it and finalize this problem once and for all and before we open the seaway.

Q. Have you contemplated that all vessels using the seaway will be burning oil or will be non-coal burners?—A. No. But oilers can smoke also.

Q. I know that.—A. Some of those are worse than coal burners. This will be a general code covering all vessels, we hope, on the seaway.

*By Mr. Patterson:*

Q. Does this reference include industries or just shipping in that area?—A. Under the reference, with the general public anxiety concerning air pollution and because of the fact that the prevailing winds in the Detroit region under

smog conditions are from the heavy industrialized Detroit area into the Windsor area, which is less heavily developed, we naturally carried the investigation right forward to determine the extent of pollution in the area and its effect on the health of the people. And soon finally it was drawn to our attention that under reference we were requested to make recommendations concerning abatement of vessel smoke only. We have lost nothing because we were able, fortunately, to arrange for the departments of health of the two countries to take over this broader aspect of the investigation which we had been carrying on and continuity was maintained in that way. Some of our staff have gone over to the health and welfare department and are working there.

Q. Do you not have any jurisdiction over the industry along there?—A. Our reference directs us to report on vessel smoke and that is all we are going to report on. We have not lost anything because we have passed the information regarding industrial air pollution along to the departments of health and they are taking it up under another heading. None of the knowledge is lost.

The CHAIRMAN: Is there any degree of pollution of any kind from this atomic-powered submarine Nautilus?

The WITNESS: In the Nautilus, there is no danger of pollution because the waste gases go out right into the sea and are so diluted in sea water that they do not affect anything.

I understand there is one commercial reactor being built in the area. I understand that the most rigorous safeguards have been laid down by the appropriate authorities, and that the most careful supervision is being given, and the health authorities have the whole matter under observation. It is not a responsibility of the IJC.

The CHAIRMAN: Shall we pass on to the next item which is water pollution on page 17?

The WITNESS: May I make one correction? My legal adviser has drawn my attention to a statement I made which was not entirely correct. We were told by both governments to investigate all these matters but to limit our recommendations to vessel smoke.

## WATER POLLUTION

Article IV of the Boundary Waters Treaty of 1909 reads:

It is further agreed that the waters herein defined as boundary waters and waters flowing across the boundary shall not be polluted on either side to the injury of health or property on the other.

In 1946 the commission was directed by the governments of Canada and the United States to determine whether the waters in the connecting channels of the Great Lakes between Lake Huron and Lake Erie were being polluted on either side of the boundary to the injury of health or property on the other side and, if so, to recommend remedial measures; in 1948 this reference was extended to include also the connecting channels between Lake Superior and Lake Huron and between Lake Erie and Lake Ontario. In the absence of a specific reference from the governments, the commission's authority to make investigations does not extend to the lakes themselves nor to the international section of the St. Lawrence river.

The commission reported to the governments in 1950 that there was serious water pollution in the channels on both sides of the boundary and recommended the adoption of certain "Objectives for boundary waters quality control" as the criteria to be met in satisfying Article IV of the treaty of 1909 which I have quoted. The commission also recommended that it be given

authority to undertake a continued supervision of the waters in question, bringing to notice all cases where pollution occurred whether by municipalities, factories or other industrial establishments. It was not suggested that the commission should be vested with any police powers to deal with offenders but only that such cases should be brought to the attention of competent local authorities for appropriate action.

These recommendations were approved by the governments of both Canada and the United States and as a result the commission has used its good offices in a concerted attempt to persuade industries and municipalities to prevent objectionable materials from reaching boundary waters and, to this end, to institute improvements to sewage disposal systems. Again, as last year, I can report excellent progress on the part of the industries but I regret that because of various considerations, mainly it seems financial, the Ontario municipalities in default have not yet made the progress we had hoped for. This is all the more to be regretted because on the United States side the situation has been taken in hand and effective laws have been provided by legislation and these are being enforced.

The establishment of the Ontario Water Resources Commission has enabled the municipalities to plan sewage plants and I am informed that a number of these border cities have done so and that therefore there is hope that in the near future some of these municipalities will begin construction of the necessary plants with the assistance of the province of Ontario through its Water Resources Commission.

*By Mr. Herridge:*

Q. Have you any idea what the cost of these plants is per thousand of population, or in units?—A. Mr. Herridge, I would hesitate to say that I could carry that figure in my head. I know that as a result of the commission's work, particularly on the industrial side, literally many millions have been spent,—and I am happy to say spent gladly—in order to remove this menace to the health, convenience and happiness in the use of these wonderful waters of the St. Lawrence river basin to the benefit of the people.

I would like to say that many years ago, some 20 years ago, a reference of the same sort on the same area was given to the commission of those days and after a very long study, the commission joined in a recommendation that is should be given powers of compulsion. In other words, it should take over the legislation of conditions along this waterway in the general interest of the people of both countries, and it should have powers of enforcement. While recommendation was made to governments, I think it was the happiest of all things that it was not acted upon by them because I cannot see any useful result coming to an international commission if they are put into a position to take police action. I think there would be trouble right from start to finish. The danger of the commission attempting to do that is that it does not boast, and cannot be given, the kind of safeguards which legislatures have in the very careful public consideration of what is to be done before penal laws are put on the statute books, where they have courts to enforce those laws, and where at every stage of such punitive procedure, there is access to some counterbalancing procedure by which if harm is unfairly done to any person or any industry or any interest, they can get redress and have it called off. It might not be very efficient to have a commission doing that sort of thing.

I venture to prophesy before we have gone very far that we will be in trouble, dire and plenty. So this time when the government asked us to look at it again, it was those counsels which prevailed upon the commission to decide not to have any police force, but to recommend merely a force of supervision so we could point the finger of scorn at those who were not behaving themselves. This has been entirely effective. We can now see the



cleaning up of these river channels in perfect satisfaction. Literally scores of millions of dollars have been voluntarily spent by industries who have come to us. For example, a brewer came to us not very long ago and said, "you have put us on the black list. Why is that? Tell us why, we want to know, because we cannot afford to be on the black list and we want to clear this up. Public opinion is too much for us." That organization spent, on the basis of the knowledge we pointed out, over half a million dollars. That is what has been going on.

Mr. HERRIDGE: Very satisfactory.

The WITNESS: It is a very pleasant bit of cooperation.

*By Mr. Stick:*

Q. You said a moment ago, and I do not know if I understood you correctly, that on the American side the different states had brought in legislation controlling this pollution?—A. Yes.

Q. You said that we did not have that legislation on our side?—A. Yes.

Q. Does this mean the province of Ontario does not have corresponding legislation on this subject?—A. The premier of that province, acting on a recommendation from this commission, set up a water resources commission under Mr. Snider. We think it is a splendid move. It was established in 1956. We believe, and have other indications, that in that section of the work with which we are concerned along the boundary waters—we are not concerned with cities back from the boundary, and have no responsibility for the Ottawa river, for example—that commission has been given, not only the responsibility for boundary waters, but the responsibility for waters throughout the province. They are gripping their problem and I am sure we will obtain satisfactory results from it, but we have not received them yet.

Q. Has this commission been set up by the province of Ontario with the power to delve into this matter?—A. Yes sir.

Q. You think it is satisfactory?—A. I think it is a wonderful move.

Q. Thank you.—A. I can assure you that in so far as the province of Ontario is concerned in respect of boundary waters, we are working directly with that commission now. Mr. Snider is the chairman of that commission and I work directly with him. He has Dr. Berry as his principal administrative assistant who is also a member of our advisory boards. We have a very good measure of coordination there. We have no powers of compulsion, but that commission has.

Q. I understand that. I do not think you should have either.—A. I agree with you fully.

*By Mr. Montgomery:*

Q. I would like to ask General McNaughton if there is any limit to the size of stream that you are interested in? The very small streams are seldom referred to the commission, and I am thinking of a stream that rises in Maine and flows to New Brunswick, which is smaller than the Saint John river or its tributaries.—A. If even a trickle of water comes across the boundary it is subject to article II and article IV. Very often we have some of our most troublesome cases in regard to these small waters which you might call creeks.

Q. There is one down there which is very troublesome. How would the reference get to the commission, from the municipal or provincial level?—A. If someone was anxious about one of these streams, they would write to the Department of External Affairs, and the department would then go

into it. If it was necessary to have a study made in respect of it, then the reference would be sent to the commission, by arrangement between the two governments.

Q. Thank you very much.—A. The two governments usually make the first attempt at cleaning it up.

*By Mr. Patterson:*

Q. Is this the only reference which is before the commission now under article IV?—A. In relation to pollution, yes.

Q. Yes, we are on water pollution now?—A. Yes, article IV embraces a lot of other things as well as water pollution.

Q. I was referring to water pollution.—A. That is the one reference we have.

The CHAIRMAN: Are there any other questions? We will proceed now to the Rainy lake convention at page 19.

The WITNESS:

*Rainy Lake Convention, May 1939*

In 1940 Canada ratified the Rainy lake convention between Canada and the United States whereby the International Joint Commission is "clothed with power to determine when emergency conditions exist in the Rainy lake watershed, whether by reason of high or low water, and is empowered to adopt such measures of control as the commission might deem proper with respect to the existing dam at Kettle Falls and International Falls, and with respect to any existing or future dams or works in boundary waters of the Rainy lake watershed".

In 1949 in response to a request for regulation of water levels the commission by the order of 8 June 1949 established rule curves for Rainy and Namakan lakes which set the water levels for the first day of each month. These levels were to be achieved in so far as possible through the operation of the Kettle Falls and International Falls dams as outlined by the commission's order.

In the spring of 1956 following the receipt of complaints, the commission requested the international Rainy lake board of control to undertake studies based on the complaints received by the commission and to report whether the 1949 rule curve was being followed and also whether it could be improved upon so as to beneficially affect the lakeshore properties and the tourist industry but yet not to adversely affect the needs of the pulp, paper and power industry in the area.

These inquiries and investigations were carried out and it was agreed by the board that the rule curve had been followed so far as was possible by the operators of the dams but also that the rule curve could be changed slightly to improve conditions for the lakeshore property owners.

The commission conducted a public hearing at International Falls, Minnesota. We were able to do it at one place because the Canadians were able to get there very conveniently. On 14 August, 1956, and on 1 October, 1957, a new order was issued carrying out the recommendations of the board and which had been approved by the interested persons attending the public hearing.

I mention this incident to show the continuing interest of the commission in the Rainy lake question and also to indicate the way the commission might proceed were it to receive similar complaints on matters where a "watching brief" is maintained such as the regulation of the levels of lake Superior, and, when the time comes, the regulation of the levels of lake Ontario.

I just want to emphasize that our procedure is in no way arbitrary. The moment there is any difference of opinion between the countries as to the effectiveness of the orders we may have outstanding, the first thing is to make

a study, and then to call a public hearing explaining the matters, hearing complaints, hearing what it is all about, and then with our American colleagues we try to come up with an answer that will benefit everybody and injure no one, and it is astounding how often that can be done.

Mr. HERRIDGE: I have had the opportunity of attending some of the commission's public hearings in Canada and in the United States. I think it is a most effective procedure. It helps to inform the local people of what is being contemplated and gives them an opportunity to express their views and to make their complaints and suggestions.

The WITNESS: I might say that when we go along year after year without making any progress you can be very certain that there is a very definite cause for disagreement on a fundamental level. The only thing to do in that case is gradually, by patience, get over it, or hope that some change in the circumstances will enable us to find a solution. That is the case in a reference I am going to refer to now.

*By Mr. Stick:*

Q. My question may not have anything to do with Rainy river, and if it has not, please do not hesitate to say so. Would this have anything to do with Chicago wanting more water from the lake? We have had this before.—A. Mr. Chairman, the question of the diversion at Chicago is not before the commission. This is a matter which we have rendered technical reports on, in connection with the lake Ontario level studies. Those reports were given to both governments and formed the basis of discussion. Whatever is to be done there is in the hands of the diplomats.

Q. I understand they have been asking for more water?—A. I can give this as a matter of information. The United States has requested that for a trial period, Chicago should be allowed to take an additional 1,000 cubic feet per second reverse flow from lake Michigan. That was down the Chicago river but is now up the Chicago river to the Mississippi. In this matter of the Chicago diversion the interests of Canada are, of course, to maintain the levels of the lakes. This water is extraordinarily valuable to us for power at Niagara first of all, then in these immense power plants in the international section of the St. Lawrence, again at Beauharnois in Quebec, and later on at Lachine.

Fortunately Canada is not alone in having to dispute with Chicago because interests in I think six riparian states of the union are identical with the interests of Canada. A lot of people down below Chicago across the divide on the Mississippi are I think a little incensed, to put it mildly, that Chicago sewage is washed down on them. So I do not think that we have to do very much.

Down the years the Chicago diversion has been brought in hand largely by action within the United States itself, and we may hope that will be the case again. Once we have a lot of people with the same interests, it is better to leave it to them, but continue to hold a watching brief of course.

Q. Thank you.

The CHAIRMAN: Are there any other questions? If not, let us pass on to the Souris river reference on page 21.

The WITNESS:

#### *Souris River Reference—1940*

The Souris is not a large river but its waters are of vital importance to the people of southeastern Saskatchewan, northern North Dakota and southwestern Manitoba through which it flows on its way to lake Winnipeg and Hudson Bay. The question at issue is the apportionment of the waters between



Saskatchewan, North Dakota and Manitoba. This question was first given to the commission under a reference from the two governments dated 15 January 1940, when the commission was requested to make recommendations. Interim arrangements appropriate to the then conditions were recommended to the governments and, on being approved were included in an interim order issued by the commission later that year. Since then the investigations of water supplies in the basin have been pressed and several attempts have been made to arrive at a final apportionment. However, this has not proved possible.

The matter has turned out to be extraordinarily complex, largely because a number of wildlife refuges along the course of the Souris river in North Dakota impound and evaporate large quantities of water, causing severe depletion of the flow. While such use of water is said to be provided for under North Dakota law, such is not the case under Saskatchewan law where human needs have priority. The result has been that while Saskatchewan with a neighbourly regard for requirements for human use downstream both in North Dakota, and more particularly in Manitoba, has been willing to continue the release of water for that purpose, it has felt that it could not in justice to its own people deprive itself of water originating in Saskatchewan which would be used up for a purpose which is not recognized under Saskatchewan law.

The investigations carried out under the auspices of the commission have shown that if it were not for the consumptive use for wildlife there would be sufficient, but barely sufficient, water in most years for human uses and the like.

The situation in regard to water in the Souris and adjacent areas will be altered in a very substantial manner a few years hence, when the United States plan to import up to 2.6 million acre-feet of Missouri river water from the Garrison dam recently build for irrigation purposes. In consequence it has been found that for the present it would be best to seek a further interim solution and proposals to this end which are satisfactory to Saskatchewan and Manitoba have been prepared. These are now under consideration by the United States section of the International Joint Commission.

I should mention that with the rapid development which is taking place in the Estevan area there has developed an urgent need for further supplies of water to be drawn from the Souris. The largest demand is for cooling water for the thermal power plant being built by the Saskatchewan Power Corporation. Engineering investigations showed that a reservoir on Long creek, a tributary of the Souris, could be built and operated to satisfy this requirement without impairing the possibility for satisfying requirements for higher priority uses in North Dakota. The United States section was asked to "take note of this project without objection" and the reservoir is now being built.

The Saskatchewan government has advised the Canadian government that it considers itself no longer bound by the restrictions contained in the interim order of this commission of 1940. However, Saskatchewan agreed, notwithstanding the fact that it considers it has the right to use all the water rising in Saskatchewan, to continue for the present to permit the passage of 50 per cent of the natural flow at Sherwood Crossing into North Dakota in order to allow the International Joint Commission a further opportunity to bring about a mutually agreeable settlement.

The Canadian government, on 6 August, 1957, advised the Canadian section of the commission that it agreed with the views expressed by the government of Saskatchewan and also expressed the hope that the commission could reach early agreement on the apportionment of the waters of the Souris basin among the three political entities involved.

As I have mentioned, drafts of a further interim report to governments have been put forward by both sections of the commission. These were considered at the Ottawa meeting in October last and I am happy to report that while there are still some difference of opinion it appears that these may be reconciled at an early date.

*By Mr. Herridge:*

Q. What is the meaning of the phrase "Notify the American section without objection?"—A. I am responsible for having invented that phrase. I do not know whether the long term result will be useful or not. But I would like to say to this committee that the circumstances in the area reached a stage which was extraordinarily acute. They were made acute as I have indicated by the insistence of a right to store water for wild life refuges along these rivers, and in which the whole flow of the Souris could, and had in fact, been impounded on occasion. It was done for the purpose of the ducks. The result was that on occasion the whole flow of the Souris river was absorbed and none of the waters went on into the province of Manitoba. The result was pollution and great hardship for people who raised stock along that river because they did not get water for domestic or for stock purposes. That was the reason for the first reference in 1940.

After public hearings Canada was able to convince her American colleagues that this was not a reasonable thing to do, and as an interim measure it was agreed to allow 10 cubic feet per second to cross for the five summer months into Manitoba. This was found to be insufficient, so the flow was raised to 20 cubic feet per second for the five summer months, and that was a little more helpful but not really adequate because for domestic purposes and stock purposes and garden watering, they could be found short. So we have been urged by Manitoba to try to have this matter cleared up in a way which would be equitable.

The thing which stands in the road of equity now are ducks. So far we have not been able to persuade our American confreres that this Souris water should be reserved for primary purposes when it is in limited supply, and that a primary purpose was that of looking after human kind.

*By Mr. Montgomery:*

Q. You have fish and you have ducks.—A. It is not fish at this time, it is ducks. And there are lots of places for ducks to go. But that is the law in North Dakota. On top of that, having the authority to do it under North Dakota law, our American colleagues have not been disposed to give way.

The endeavour in the commission has been to try to find some form of words which could be held to satisfy the laws of the three political entities to which we have to make allocation.

Well now we got to the point two years ago where we had a report before the commission. We had talked about a number of dams and reservoirs being created in Canada. We had an agreement in the commission that this dam that was proposed by the P.F.R.A. on Long creek could be operated in such a way that it did not necessarily follow it would impair the interests downstream. Since Saskatchewan required power from the Estevan coal fields it was absolutely imperative that they should be given an opportunity to complete that dam, as this water was required for cooling purposes.

I made an address to the commission on the subject and then I said that since we cannot possibly get an order or anything of that sort, surely as an act of good neighborliness we could let this construction go ahead. I made a motion, in view of the fact it did not necessarily do harm, and there

was an assurance that it would not harm the people downstream. No objection was made to my proposal that we take note of it and allow the power people to proceed and that dam is being built at this moment. It is a somewhat irregular procedure, I will admit.

*By Mr. Patterson:*

Q. I may have missed it in your explanation, but what were the restrictions contained in the interim order of the commission in 1940 that the Saskatchewan government has now apparently repudiated? They stated they would not fool around to recognize those— —A. Mr. Patterson, I could not accept the word "repudiated". I think it is very important not to have a word of that sort on the record as it does not represent the position taken by Saskatchewan. First of all, under Article II of the treaty the upstream state is the master of the waters that flow across the boundary, to do with as they wish, subject to action for damage if there is any right recognized in the upstream court.

Now the Saskatchewan legal authorities have consistently held the view right from the beginning—and I have looked through the records prior to my being on the commission—that they would be prepared, and felt it right, to let water go for any purpose in North Dakota which was sanctioned by Saskatchewan law because they felt if they interfered with such use in North Dakota and North Dakota came back into Saskatchewan courts they would get an action for damages without doubt. It has never really been decided in the courts but that is the basis upon which they work. Saskatchewan said what they wanted the commission to do. It was Manitoba that requested the reference to the commission but Saskatchewan agreed that the commission should have a reasonable time to study the various supplies and to come up with recommendations for an apportionment of the water, something that would be agreeable and satisfy the real requirements of North Dakota, Saskatchewan and Manitoba.

Now Saskatchewan has questioned that. I think we have tried the patience of Saskatchewan because we have never been able in the commission to come up with a solution. We have never been able to get anything which was agreeable in the long run to North Dakota and to Manitoba. Here we have very large developments. Oil has been found in southeastern Saskatchewan. The cities, like Estevan, are growing very fast. A number of other towns down there are growing and the only source of water supply is the Souris river. The commission was given a reasonable opportunity to proceed and we have not been able to proceed. My sympathy, I must say, is naturally with Saskatchewan when they say that the time has come when we have to put this water into use because it is stopping our natural development; this is our water and its use downstream is not a legal use as far as we are concerned. Then they agreed to give us a little more time; that for the moment at any rate the Province agreed to allow 50 per cent of the flow to go across.

Fifty per cent is quite a magic figure. I would like to remind you that it was on the basis of a fifty-fifty division the St. Mary and Milk rivers apportionment was settled in substance. There is a formula which is not quite that on the surface but when you get down to the essence of it, it is a fifty-fifty division and we have used that in other cases too as a sort of standard on which we might make a composition. Incidentally, Mr. Patterson, it might interest you to know that if we made that division on the Columbia we would be at liberty to take 32,500,000 acre feet out of the river instead of the 15 million that we have proposed.

It was the same formula in substance on which the Americans asked us to settle the Waterton-Belly reference. But that is not before us now. If I got into that I would be here the rest of the night. We think that Saskatchewan was



entitled to object to the commission having to hear every little application for water on both sides of the boundary; nobody could have any water without our sitting in august session and giving it out.

They propose taking, and I feel that they should have the right to take up to 50 per cent. We have also got Saskatchewan's assurance that the operation of this dam on Long Creek will not in fact be used in such a way as to impair the interests downstream but we are nowhere near settling this question of the prior right claimed by North Dakota for its wildlife uses and which they can exercise as against Manitoba. We are still in that difficulty. All we can hope for at this time is to get an interim order, that will at least look after the stockwater and the domestic uses on the Souris in Manitoba for a few years, until the great change comes when the Garrison dam is completed and the canal across to the Souris is operating. Then up to 2.6 million acre feet of water is to be imported annually from the Missouri for the purpose of irrigating upwards of a million acres of land in that region in United States.

Incidentally the spent water will come into the main stem of the Red and the quantity is so large that it might add to the flood protection problems in the lower Red river around Winnipeg and so on, down. When that time comes we have certain clear rights which will enable us to have a good deal more to say about what is done than we have at the moment.

The CHAIRMAN: Are there any further questions? We will proceed with the Souris-Red rivers-reference.

#### *Souris-Red Rivers Reference of 1948*

I might just mention that the commission continues its studies of the Souris-Red rivers reference of 1948 which is closely tied to the apportionment of the Souris river water question. However, its scope is broadened to include the development of the Red river with particular reference to the flood protective works. In this connection the commission continues to be assured by its board and representatives of the United States corps of engineers that the works being developed in the United States portion of the Red river will not aggravate the flood situation in the Canadian reach of the river.

People from the Winnipeg vicinity, in the area of Morden and so on, will know that the United States have a great program of draining the marshes of the various creeks and tributaries in the territory there. When they improve the run-off they increase the possibility of disastrous floods in the spring. We have agreed, in the commission, that whenever an improvement in run-off is made reservoir capacities proportionately will be provided so that the flood flows can be let down gradually. At semi-annual meetings of the commission the question is asked because of the danger that was felt at the time of the big floods in Winnipeg a few years ago, and we get the assurance that the two programs will keep in step.

The CHAIRMAN: We will now pass to the Sage creek reference.

The WITNESS: Sage creek is what I might call a rather peculiar kind of reference because we have not been asked by the governments to do anything except use our good offices and try to make peace.

#### *Sage Creek Reference*

On 8 April 1946, the commission was directed by the governments of Canada and the United States to use its good offices to bring about a mutually satisfactory agreement in regard to the use of the waters of Sage creek between the ranchers in Canada (Alberta) on the one hand and the ranchers in the United States (Montana) on the other.

Sage creek is a very small stream rising in the Cypress hills in southern Alberta and terminating in Montana just south of the boundary and the flow of the creek usually occurs only during the spring run-off. I used the word

"terminating" because it is an example of a number of totally enclosed basins in that region which have no visible run-off to any river or anything of that sort. The problem is therefore, to find a way to conserve the water during the spring so that it might be released in regulated flows during the growing season.

It has been agreed that the only way to conserve this water is to construct a dam in Canada holding approximately 7,500 acre-feet of water and a shallow ditch or canal to carry some of the water to the United States ranchers, when they need it, to promote the growth of forage crops which are grown throughout the Creek basin.

The present difficulty is that the costs of the Canadian dam, as estimated, are considerably in excess of the amount justifiable by the benefits in Canada.

Another difficulty, of course, is that all the laws of appropriation relate to water in a defined channel. Sage creek does not fall in that category. The melt occurs usually upstream in Canada as a result of chinooks or something of that sort and the flow comes down the creek before the creek bottom is melted, and as a result the water flows over the banks. These banks are six or eight feet above the level of the surrounding ground. Therefore the water goes across the boundary in an undefined channel. That, we are told by our legal experts, means that the waters are not susceptible to Alberta law.

*By Mr. Smith (Calgary South):*

Q. Has there been any real area of dispute, relatively speaking, in this?—A. I would answer that best if you would come with me to some of these regions.

Q. I beg your pardon?—A. Yes, sir. The tempers are high. We have tried to do the best we could to keep a reasonable basis going. With the help of the Alberta and the Montana governments we have appointed two water masters and these two gentlemen traverse the stream in the spring and fall, up and down the banks, to make sure a scotch thistle doesn't get into the barbed wire fences and interfere with the flow and that nobody brings in a bulldozer and diverts the water. Sometimes we have very formal reports by telegram and we always sort of have the feeling and try to keep it going some way.

Q. I happen to live in the area myself and it seems to me important but I cannot understand where the area of argument is. I am speaking of the whole international concept of this problem. I have never had it so severely brought to my attention as it has been brought to my attention by you.—A. To the people in the region it is an acute problem and has presented us with a number of aspects of international law and economics. The P.F.R.A. tried to solve it years ago, and we have really tried to solve it and to find a permanent solution but apparently the best we can do is get these two people who are skilled as water masters and leave it to their good judgment to try to make an *ad hoc* solution on the ground.

Q. You give it a very high priority?—A. We would like to solve it but so far have been unable to get an answer which is viable.

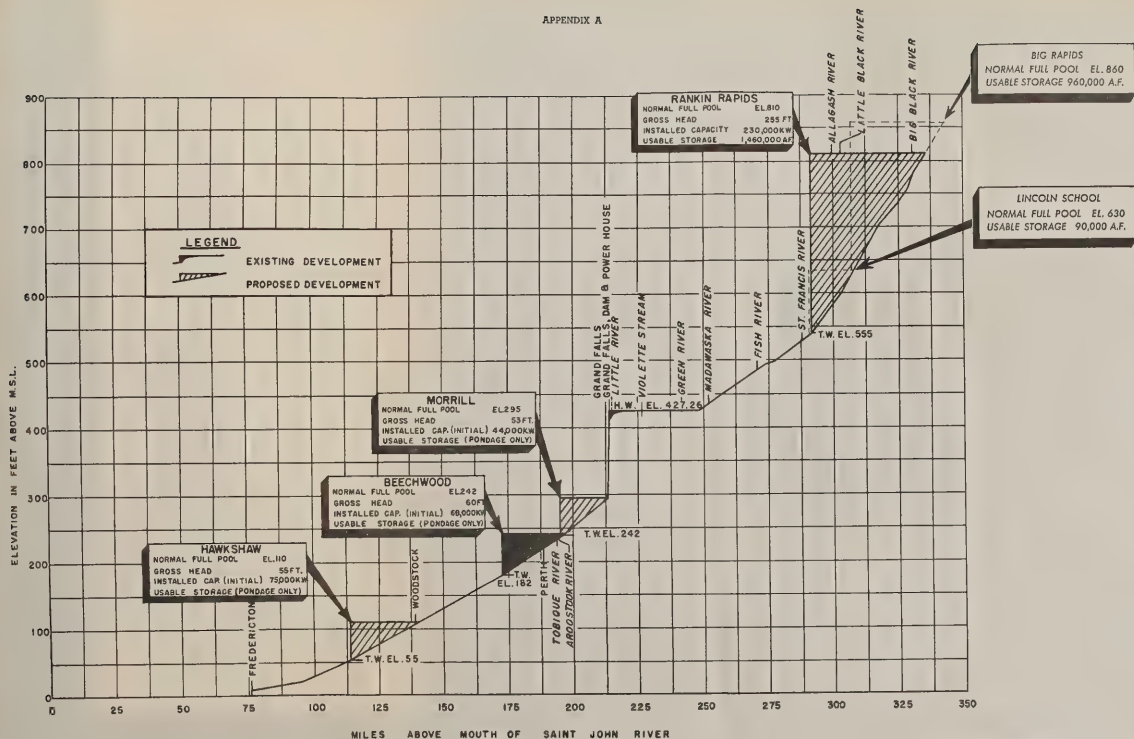
The CHAIRMAN: Gentlemen, this brings us to the conclusion of General McNaughton's report. I think I am putting it mildly when I say we have all enjoyed it. It has been very informative.

The WITNESS: Thank you very much. I enjoyed very much being here.

Mr. HERRIDGE: I must say we do enjoy General McNaughton's reports on these references. General McNaughton, in his appearances here, always furnishes us with a fund of information which is very informative to the members of the committee and the applause clearly indicates that.

Items 112 and 113 agreed to.

The CHAIRMAN: We will meet tomorrow morning at eleven o'clock at which time we will take up item 94.



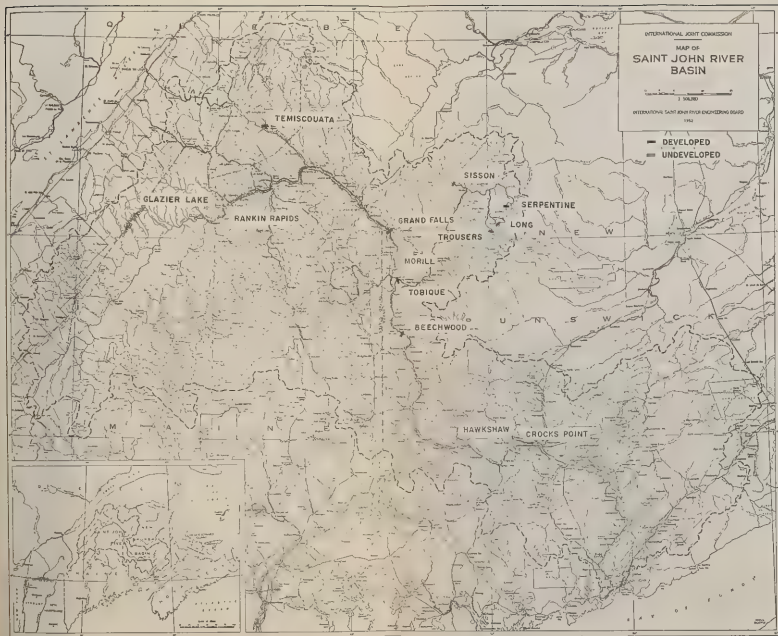
Saint John River Profile.

SAINT JOHN RIVER  
PROFILE





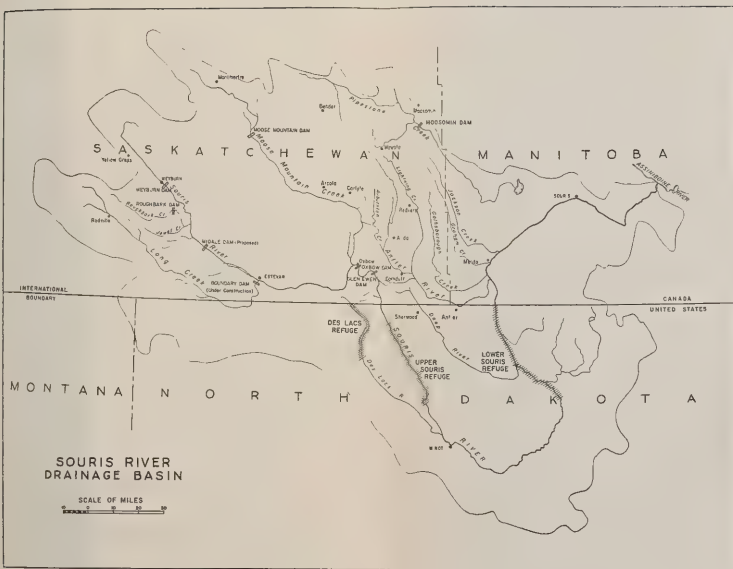
# APPENDIX B



Saint John River Basin—Map.

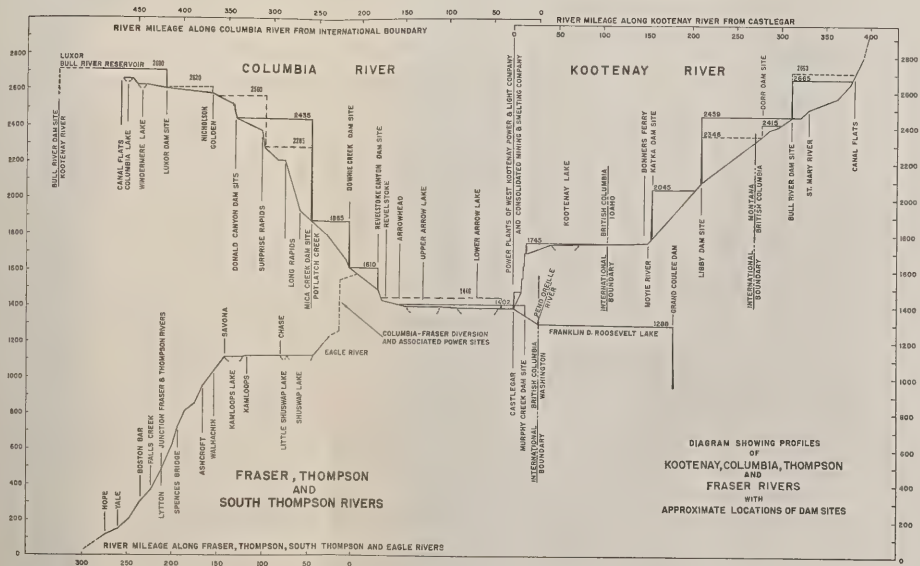






Souris River Basin—Map.





Profile of Kootenay, Columbia, Fraser and Thompson Rivers.



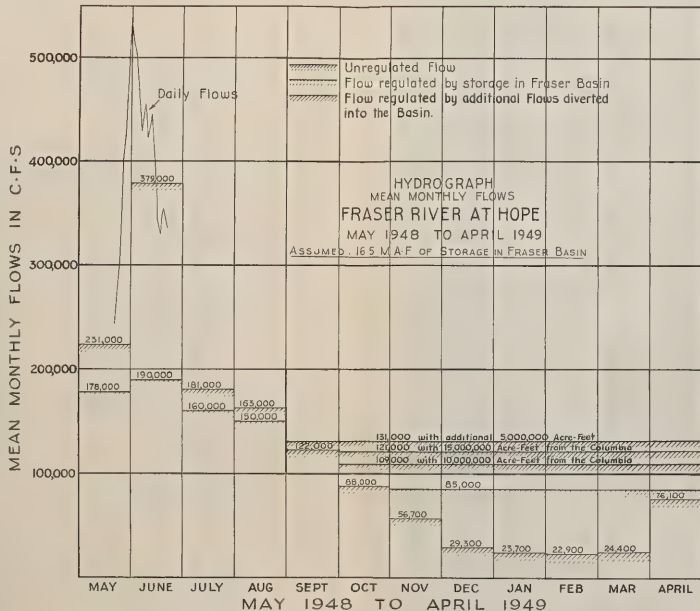


# APPENDIX E











## APPENDIX G

## WANETA ORDER

## International Joint Commission

In the matter of the application of The Consolidated Mining and Smelting Company of Canada Limited for approval of the construction maintenance and operation of the Waneta dam and reservoir

*Order of Approval*

WHEREAS Cedar Creek is a creek flowing across the international boundary between United States and Canada, within the meaning of Article IV of the Boundary Waters Treaty of January 11th, 1909, and has its source in the State of Washington and flows north to and across the international boundary into the Province of British Columbia to its confluence with the Pend d'Oreille River, which is about one mile east of the confluence of the Pend d'Oreille River with the Columbia River; and

WHEREAS The Consolidated Mining and Smelting Company of Canada Limited, under date of 30th April, 1951, made application to the Commission for its approval of the construction, maintenance and operation of a dam and reservoir at a location known as the Waneta site, approximately 1,500 feet east of the confluence of the Pend d'Oreille River with the Columbia River, the crest of which dam will be at elevation 1,521 feet, Geodetic Survey of Canada Datum, 1947 International Joint Adjustment; and

WHEREAS the Applicant is the owner of a conditional water licence granted by the Province of British Columbia in respect of the waters of the Pend d'Oreille River, which, *inter alia*, authorizes the construction of a dam, penstocks and power house at the Waneta site, subject to the plans for the construction of the works being approved by the Comptroller of Water Rights of the Province; and

WHEREAS the Pend d'Oreille River is not navigable within the meaning of the Navigable Waters Protection Act of Canada; and

WHEREAS after due notice, public hearings were held by the Commission at Waneta, British Columbia, on the 12th July, 1951, and at Coulee Dam, Washington, on 13th July, 1951, and the said Application was amended at the Waneta hearing; and

WHEREAS at the hearing at Waneta, a statement was filed on behalf of the Government of the United States, stating that it does not oppose the order of approval which is sought, but asking that approval should be on conditions:

- (I) to insure the protection and indemnity against injury of all interests, public and private, in the United States which may be affected by the construction, maintenance and operation of the said storage dam, as provided by Article VIII of the Boundary Waters Treaty, 1909; and
- (II) to provide such other relief as may be considered essential as a result of the information obtained at the hearings held at Waneta, British Columbia, on 12th July, 1951, and at Coulee Dam, Washington, on 13th July, 1951; and

WHEREAS at the hearing at Coulee Dam, Washington, a statement was filed on behalf of the State of Washington, setting forth that the State saw no reason, unless some unusual feature developed at the hearings, for not giving its support to the development; and



WHEREAS at the aforesaid public hearings, a representative of the British Columbia Game Commission appeared and recommended to the Commission that the application be approved; and a representative of the United States Department of the Interior appeared and stated that construction and operation of the project in the manner proposed will not conflict with present or future plans for the development of the United States portion of the Columbia River Basin; and

WHEREAS the Commission has been advised that the Applicant, through its affiliate the Montana Phosphate Products Company, in order to conform to legal requirements in the United States, has made application to the Federal Power Commission for the licence which is prerequisite to the utilization for power storage purposes, of public lands of the United States which are involved, and that the Federal Power Commission has that application under consideration, and

WHEREAS the Commission has been advised that the proposed construction will not involve any difficulty in the operations of the International Boundary Commission of the United States and Canada; and

WHEREAS the Applicant has made arrangements with all parties who have any interest in lands or mining claims in the State of Washington that may be affected by the pondage in Cedar Creek created by the said works, information in respect of which has been filed with the Commission, whereby the Applicant has to the satisfaction of the Commission, made suitable and adequate provision for the protection and indemnification of the said parties against injury or by reason of damage resulting from the construction, maintenance and operation of the Waneta Dam and reservoir; and

WHEREAS the Commission, after having considered the matters above recited, and after having heard all parties desiring to be heard, has determined that the said works should be approved and authority given for the construction, maintenance and operation thereof pursuant to the said Treaty, subject to the conditions hereinafter set forth:

*Now therefore this commission orders and directs:*

1. That the issuance of this Order of Approval shall not be considered or construed as waiving or otherwise impairing in any degree the right of the United States recognized in Article II of the Boundary Waters Treaty of January 11, 1909, to construct, maintain and operate such works as it may consider necessary or desirable for the purpose of making the most advantageous use reasonably practicable on its own side of the international boundary by diversion for power purposes or otherwise of the waters of the Pend d'Oreille river as regulated by headwater storage reservoirs lying entirely within the United States and constructed wholly at the expense of the United States, or at the expense of United States interests.

2. That the said application as amended at the hearing at Waneta be and is hereby approved and the Applicant is authorized to construct, maintain and operate the said Waneta Dam and reservoir, and the Applicant is permitted to hold, by means of the said dam, the upstream pondage in Cedar Creek to a maximum elevation of 1,521 feet, Geodetic Survey of Canada Datum, 1947 International Joint Adjustment.

3. That the Applicant install, maintain and operate gauges of a type and at locations in the forebay and tailrace of the Waneta development, to be approved by the Water Resources Division, Department of Resources and Development of Canada, and provide records of the daily forebay and tailrace

elevations to the said Water Resources Division and to the Geological Survey of the United States Department of the Interior at such intervals as may be determined as suitable and necessary.

4. And that the Applicant, and all parties having claims for injury in respect of the said Dam and reservoir other than the parties to the said arrangements, shall have the right to apply for such further order, direction or action as may seem proper in reference to any matter arising out of this Order.

APPROVED at Cornwall, Ontario, this 25th day of July, 1952.

(Signed) A. G. L. McNaughton  
A. O. Stanley  
Geo. Spence  
Roger B. McWhorter  
J. Lucien Dansereau  
Eugene W. Weber

## APPENDIX H

Journal of the  
POWER DIVISION

Proceedings of the American Society of Civil Engineers

COEXISTENCE OF FISH AND DAMS<sup>1</sup>Howard A. Preston,<sup>2</sup> M. ASCELouis E. Rydell,<sup>3</sup> M. ASCE

(Proc. Paper 1414)

## SYNOPSIS

The strong interest in water resource development throughout the nation imposes a moral obligation as well as an economic necessity to provide for the preservation and improvement of the great natural fishery resource, which exists particularly in some of our Western rivers. This paper outlines the background of the great Columbia River salmonoid fishery, the problems of sustaining it in the face of intensifying watershed development, research that is being done to maintain adequate migratory routes and spawning conditions, and the need of continued progress toward improvement of the fishery in light of the program for river development that is being undertaken.

## INTRODUCTION

The authors have undertaken preparation of a paper on the subject of fish and dams only with some hesitancy in view of the controversial aspects commonly attributed to these two subjects as associated with each other. Being engineers and not biologists, they have touched on the biological aspects of fishery only to the extent necessary to prevent a general background of the problem. In these phases the authors make no claim of authoritativeness, and they welcome constructive discussion, and criticism if need be, from those who are authorities in this field. Opinions expressed and conclusions drawn are those of the authors, and do not necessarily represent official views of the Corps of Engineers.

The primary objectives of this paper are to present constructively, from the engineers' point of view based on long association, the origin, nature, and possible solutions of one of the most difficult and complex problems encountered in the development of Pacific Northwest rivers, commonly referred to as "fish versus dams." The authors will endeavor to show, however, that this picturesque title is now outlived and should be changed to "fish and dams," thanks

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<sup>1</sup> Presented at a meeting of the American Society of Civil Engineers in Pittsburgh, Pa., October, 15, 1956.

<sup>2</sup> Chief, Flood Control Reports Section, U.S. Eng. Office, Walla Walla, Wash.

<sup>3</sup> Chief, Planning and Reports Branch, Corps of Engineers, U.S. Dept. of the Army, Walla Walla, Washington.



to a cooperative spirit which is evidenced among nearly all who are concerned with achieving a positive solution. After a description of migratory fish runs in the Columbia River and the general impact of the works of man on the fishery resource of the Columbia, the paper discusses the early efforts towards amelioration of the adverse effects, and the measures undertaken by the Corps of Engineers and others to modify project plans and to provide adequate passage and/or replacement facilities at major dams on Columbia River and its tributaries. It outlines the research program sponsored by the Corps and generally executed by the fisheries agencies themselves, directed toward analysis of the basic problems and to evolve scientifically sound approaches for the design and construction of effective fish passage facilities; together with parallel investigations and research by the fisheries agencies and by other construction agencies. Some of the accomplishments up to the present time are cited. The paper records real progress toward the long range objectives of "live and let live" implied in the title, being achieved by a cooperative approach to the conservation and development of all water resources including migratory fish.

### Columbia River and Migratory Fish

The Columbia, one of the great "resource" rivers of the United States, stands at the head of the list in hydroelectric power potential, and its migratory fish resource is exceeded by few other streams in the world. (See Chart 3) The maintenance and possible enhancement of this fishery in the face of rapidly expanding harnessing of the river for flood control, irrigation, navigation and power is a problem of vital importance to the region. It is, moreover, a problem which in the past has generated heated controversy between opposing interests. The coexistence of fish and dams has been, and is, a major challenge to biologists and engineers. "Dams" has often been a fighting word to the commercial and sports fisheries, and, understandably, has often raised unyielding opposition to plans for river development appearing to threaten their interests. On the other hand, to many segments of Northwest industry, commerce, agriculture and to many cities and communities, "dams" signify progress, new resource development, industries based on low cost power and river transportation, irrigation of arid land, protection from floods and generally a higher standard of living. Nowhere else in the United States has this conflict of interests become so acute. In recent years, however, the attitude of irreconcilable conflict between these two forces has tended gradually to yield to a spirit of mutual understanding and to an approach of mutual cooperation.

Civilization appears often as the inherent enemy of wildlife, and advancing civilization has taken a heavy toll on the salmon streams of the Northwest. However, in recent years man has recognized the peril and has taken resolute steps to remedy early errors. These measures are being undertaken on a cooperative basis by many agencies—Federal, State, and municipal, as well as public and private utilities—and involve great costs. This paper, after outlining the background of the problem, will describe in brief form some of the many facets of this cooperative program.

White man, on his arrival to the Pacific Coast of North America more than one hundred and fifty years ago, found the coastal rivers teeming with salmon—a delectable fish which provided a staple food supply for the native Indians. The Lewis and Clark expedition of 1805-06 to the Pacific Northwest found Indians by the thousands migrating annually to the shores of the Columbia to gather their winter supply of salmon which they preserved by drying in the sun. Dried salmon was a prime item of trade between river tribes and those of the interior and it is estimated that the annual harvest totaled 18 million pounds. Early settlers soon discovered the value of the salmon, and in 1866 a commercial

cannery was established at Astoria on the mouth of Columbia River. By 1883 the commercial salmon fishery landed almost 43 million pounds. That is probably the peak production but very high productivity was maintained until the 1920's when the detrimental effects of encroaching civilization in combination with the exploitation of this great resource became a problem of concern. The Columbia River's annual salmon pack in 48-pound cases since 1888 is shown in Chart 1, and for comparison the pack from Alaska waters. There is, in addition, today a most famous sport fishery on the Columbia and other streams of the Pacific Northwest.

The anadromous or migratory fish of the Columbia River consist of steelhead trout and four species of Pacific salmon. The steelhead trout, somewhat similar in characteristics to the Atlantic salmon, is both a highly prized sports fish as well as contributing to some extent to the commercial fishery. Living much of their adult life in the ocean, they migrate into the rivers to spawn. The adult steelhead entering fresh water from the ocean average about 10 pounds in weight and may reach 40 pounds. These fish, in contrast to the true salmon, do not necessarily die after spawning. Due to their vigor and migration habits, this specie has been quite successful in withstanding the encroachments of civilization.

The second and more important group of anadromous fish entering the Columbia River is the Pacific salmon, of which there are four species: the large chinook or king, averaging 20 to 30 pounds and attaining up to 100 pounds in weight; the blueback or sockeye averaging 3 to 4 pounds per fish; the silvers averaging 10 pounds; and the chums weighing about 12 pounds. Records indicate that the Pacific salmon originally migrated into practically every tributary of the Columbia River system from the sea to the Rocky Mountains 1,000 miles inland, and from British Columbia to Southern Idaho. They are also found in great numbers in the coastal streams of Oregon, Washington, British Columbia and Alaska. The salmon, after spending their adult life in the sea, 2 to 5 years depending on their characteristics, invariably return to the parent stream to spawn, and there to die. On entering fresh water they proceed, at the rate of about 10 miles per day, upstream to the specific tributary and particular spawning area in which they were hatched. Here in the gravels of a shallow stream, the female scoops an oval cavity and in this nest deposits her eggs to be fertilized by the male. Exhausted, the parent fish die after spawning. Each female lays 2,000 to 5,000 eggs. The time required for these eggs to hatch varies from 50 days up, depending on the water temperature. The newly hatched fry begin life in the gravels where they were born, and later, as "fingerlings", move into the open stream to live in fresh water for varying periods, with the majority migrating to the sea in their first year, or the spring of their second year.

Each tributary stream supports a separate population or race which migrates inland from the sea at a time normally most favorable for reproduction in that stream. These separate races have developed individual inherited characteristics favorable for their survival. The Pacific salmon normally do not feed after entering fresh water to spawn, hence, those fish utilizing spawning areas located long distances from the sea must have the ability to store sufficient energy for their travel and furthermore must start their spawning migration at the correct time to reach these spawning areas for reproduction during optimum conditions for egg and fry survival. Any unnatural delays en route may therefore become critical in maintenance of the fish runs. The strong instinct to return to their parent stream is another important factor in maintaining the fishery, since a blocked migration route usually means loss of that race because they will normally die without spawning in attempting to find their usual habitat. A third major factor in the survival of this fishery is the maintenance of the



spawning areas in their natural and undisturbed condition. Favorable spawning gravels must be of the proper size, gradation and depth, free from silt or other deposits, and with hydraulic conditions creating a movement or gentle flow of water through the gravels; the water must be of proper temperature and free of injurious pollutions. A major change in the regimen of a stream means a major change in the segment of the salmon run using that stream. A fourth significant factor in the maintenance of the salmon fishery is the condition of the downstream migration route to the sea. The principal migration of the young fish occurs with the spring freshet or higher river flows, the fingerlings typically drifting downstream, tail first. Major obstacles often cause mortality, or stunning which makes the fish easy prey for predators.

#### Effect of Works of Man

Progeny of the salmon which spawn in the Columbia River and tributaries are subject to commercial troll fishery in the ocean along the Pacific Coast from southeastern Alaska to northern California. They are further subjected to an intense fishery, both sports and commercial, through the first 200 miles of Columbia River when making their spawning migrations. The value of the Columbia River segment of the Pacific Coast salmon fishery is estimated at close to \$17,000,000 annually, based on first wholesale cost of the commercial catch plus the estimated expenditures for the sports catch, arrived at by surveys of the fishery agencies.

Coincident with this exploitation of the fish population is the economic development which has taken place during the past eighty years in the Columbia watershed, creating conditions adversely affecting the productivity and seriously threatening the survival of anadromous fish. Early mining blocked or diverted smaller streams, and mining wastes destroyed spawning beds and young fish. The lumber industry cut over large areas of forests having fundamental effects on the streams draining those areas. The elimination of trees and shrubs changed the temperature of water and the flow regimen; logging operations in some instances blocked the streams or filled them with debris. Similarly, agricultural development changed the regimen of stream flow with heavy summer demands for irrigation water requiring dams and diversion works. All of these conditions completely changed the runoff pattern for unnumbered tributary streams which are the principal spawning areas for the salmon. Denudation of lands were conducive to floods which caused erosion, siltation, and too high flows for fish passage, while dams and diversions left the streams with too little water during summer and fall months. Unscreened irrigation intakes took their toll of fingerlings. Other aspects of advancing civilization were equally destructive. Wastes from industries, canneries, pulp and paper mills, and from towns and cities along the river banks, polluted some streams to the point that fish life could not exist during the low water season.

Later large scale development of irrigation and hydroelectric power on the main stems and major tributaries required increasingly larger and higher dams, impassable for upstream migration without fish passage facilities, and some with almost impossible conditions for downstream migration of fingerlings either through the power plants or over the spillways. Grand Coulee Dam on the Columbia River is probably the most spectacular of such structures where the entire river system above the dam has been closed to salmon migration, although equivalent runs have been sustained below the dam by means of extensive rehabilitary works including fish hatcheries.

These changing stream conditions and the structures of man, however, can not be blamed entirely for the decline of the anadromous fishery. Convincing evidence in this regard can be found on streams subject to sports and commercial fishing outside the Columbia Basin, where natural conditions still exist



undisturbed and yet the salmon runs have declined proportionately as much as they have on the Columbia. This is especially true on certain undeveloped coastal streams in Oregon and Washington, and to a substantial extent true in Alaskan waters whose potential salmon yields far exceed those of the Columbia River. The spawning rivers of Alaska in particular are virtually untouched by man except for commercial fishing in adjacent coastal waters and yet the salmon catches during the past 20 years have declined drastically from 8,455,000 cases in 1936 to 2,470,000 cases in 1955. Reference is made in this connection to Chart 1. Whether this drastic decline is due to over-fishing or to other possible causes has not been established; neither can it be determined with certainty to what extent similar causes have affected the Columbia. Many believe that over-fishing, ocean catch of immature salmon, and depletion of salmon food have been factors of great importance.

#### Remedial Measures

The serious effects of encroaching civilization on the salmon fishery began to be realized even prior to the beginning of this century and during succeeding decades various remedial measures were initiated through specific works and legislative acts by the states. The measures, generally concerned with regulation of fishing, are summarized briefly as follows:

- (a) *Regulate fishing gear.*—The picturesque giant fish wheels were prohibited; size of mesh in gill nets were regulated to permit escape of particular species; and use of the sometimes mile-long seine nets on the lower Columbia banned.
- (b) *Regulate fishing season.*—Commercial fishing seasons have been progressively restricted until at the present commercial fishing on Columbia River is prohibited during about 20 per cent of the possible 5 to 6-month period.
- (c) *Regulate fishing areas.*—A number of Oregon streams have been closed to commercial fishing, and Columbia River will be closed to such fishing above Bonneville Dam (145 miles from the mouth of the river) in 1957.
- (d) *Restrict ocean catch of immature fish.*
- (e) *Screen irrigation intakes.*—State legislature now prescribes screening of any new stream diversion and state agencies are screening old diversions within the limits of available annual funds.
- (f) *Install fish ladders.*—State laws prescribe adequate fish passage facilities at all structures.
- (g) *Remove river obstacles.*—State agencies are empowered to do clearing and snagging in stream channels and provide fish ladders at natural obstructions.
- (h) *Pollution abatement.*—Pacific Coast states, Oregon and Washington in particular, have adopted increasingly strict legislation against the dumping of untreated municipal sewage and industrial wastes into flowing streams.

*Structures.*—Prior to the 1930's very little structural work had been done to preserve the anadromous fishery in the Columbia Basin. Small fish ladders had been built into several low-head power dams, some of which were on such large rivers as the Clearwater and the Willamette; unfortunately, many of these ladders proved to be relatively ineffective because of inadequate knowledge at that time of design requirements. Some other modest attempts were made to correct stream conditions particularly for irrigation, such as placing small ladders over diversion dams and screening canal intakes. Other than these preventive measures, principal efforts were directed toward control of the fishery by means of regulatory measures on the catch, but doing little in the way of research and planning for the future.

In the 1930's, however, several major fishway installations were initiated. Completion in 1933 of the first dam across the upper main stem of the Columbia, at Rock Island, 500 miles above the mouth, also marked the initial operation of the largest fishway installation up until that time; and the first installation on so large a river. These ladders, 20 feet wide with a slope of 1 on 10, and designed to pass the predominant blueback runs over the 54-foot high dam, have now, with considerable modifications, functioned fairly successfully over nearly a quarter of a century. The second major fishway installation, on much larger scale than at Rock Island, was made by the Corps of Engineers in the construction in 1934-1938 of Bonneville Dam, located at the head of tidewater 145 miles inland from the mouth of the river. Here competent biologists were employed as well as engineers and attempts made to analyze the action of adult fish, collect them at strategic points and pass them upstream over the 62-foot high dam with a minimum of delay and through adequate passageways. Very little scientific knowledge was at hand on fish behavior and needs, so empirical criteria had to be developed. Ladder widths of 30 and 40 feet were adopted, with slopes of 1 on 16. The fact that this planning was good is attested by the passage records these 18 years averaging 650,000 salmonids annually, and the absence of any major evidence of loss, blocking or delays at the dam. (See Chart 2)

An event of major importance following the construction of Grand Coulee Dam, concurrent with Bonneville, was the transfer and rebuilding of blocked blueback runs into tributaries downstream from Coulee. To complicate the problem, in 1941 disease practically destroyed the blueback run of that year to the area. By a major program of protection of adults and propagation by replanting of fingerlings in the lakes of the Wenatchee and Okanogan River basins, the runs have been revived and restored to a large extent. This can rightfully be considered a major triumph for the principle of enlightened fishery management.

After Bonneville and Grand Coulee Dams were under way and until the early 1940's, it was the opinion of many that it would be a long time before any further developments of such magnitude would be justified on the Columbia. Consequently, during this interval very little more was done to consider the basic problems or future prospects for the salmon. However, by 1942 it was evident that early development of additional major power sources was essential to meet the growing Northwest power needs, including the booming aluminum industry. No starts were possible during World War II, although major projects were authorized by Congress including McNary and Chief Joseph dams on the Columbia and four large navigation-power dams on lower Snake River.

Full scale planning for McNary Dam started at the war's end, with construction initiated in 1947. Again engineers and biologists were faced with the problem of passing over half of the entire Columbia River fish run over the dam, both during the difficult construction phases and over the permanent structures. This dam had a maximum effective height of 92 feet, 50 per cent in excess of Bonneville. After taking inventory of known facts and conditions it was found that little additional knowledge had been developed since the construction of Bonneville Dam except for the experience gained in operation of the project and the research done for the Hells Gate problem on the Fraser River (see below). McNary Dam was not only higher than Bonneville but considerably larger, with problems of passage proportionately increased. For some of the design problems, special studies were made of the Bonneville facilities, and numerous model studies made at the Bonneville Hydraulic Laboratory, checking flow conditions, weir design, structural design, and many other features. In developing plans for McNary, certain improvements were made over the Bonneville facilities and some new features added, such as automatic con-



trol of water supply, pumped water for attraction flows, and automatic operation of fishway entrance facilities. Final McNary plans included two fish ladders 30 feet wide with 1 on 20 slope; a fish collection system at the powerhouse with an additional interior transport channel; an atmospheric pressure fish lock; and a high pressure fish lock. The fish locks were installed for experimental purposes, and as alternative means of passage in lieu of the long, expensive fish ladders. The fish passage facilities at McNary Dam are the subject of a paper prepared for the Journal of the Power Division of the American Society of Civil Engineers and is published as Proceedings Paper Number 895, Volume 82, PO1, dated February 1956. This paper contains the basic criteria for fishway design and a description of the many features of the facilities.

About this time there was recorded on Fraser River in British Columbia another milestone of greatest significance to the salmon fishery. Prior to 1913, the Fraser salmon fishery was second only to Alaska in importance to the industry. In that year, in connection with railroad construction operations, there occurred at Hells Gate a slide which partially blocked the river to salmon runs. Subsequent efforts were made to remove the slide with assumed success. However, the Fraser River fishery over the succeeding decades declined to a mere fraction of its former magnitude. In the 1940's this problem was subjected to intensive studies and experimentation by the International Pacific Salmon Fisheries Commission. It was found that a block still existed at certain river stages which are frequent during major runs. As a result, a new type of fish ladder was developed and completed in 1946 at Hells Gate. This Hells Gate ladder depended on the principle of vertical slots rather than on weirs with shallow overflow, and consisted of baffles placed vertically on alternate sides of ladder walls. This type of ladder will function effectively through a great range in depth when tailwater and headwater fluctuate approximately the same amount. This ladder was immediately successful in relieving the fish block on the Fraser, and by 1954 the fish run had increased dramatically to the largest volume since 1913, giving evidence that complete restoration of this once great salmon stream was a possibility.

By the time that McNary Dam was on the drafting boards the Corps was directed to make a complete review of its earlier comprehensive report on development of Columbia River, the so-called Columbia River "308" Report of 1931. This review, completed in October 1948, presented a greatly expanded program for development of the water resources of the Columbia Basin. Its "main control plan", a program of development anticipated to be completed by 1975, envisioned two more Columbia River dams similar to McNary to be built at The Dalles and at the mouth of John Day River. The plan also included a major dam at Priest Rapids above the mouth of the Yakima and the Hells Canyon project of the Bureau of Reclamation on the middle portion of Snake River. (See Chart 3) Most of these projects, which were only a part of the main control plan, are astride the principal paths and spawning areas of the salmon. In addition, and situated on the main migration route of the Snake River chinook runs, were the above mentioned four navigation-power dams on lower Snake River between its mouth and Lewiston, each of them similar in height and features to the McNary project. The Columbia and lower Snake River projects, when completed, would comprise an almost continuous system of dams and slack-water pools extending 205 miles on Columbia River from Bonneville and 140 miles on Snake River. (So rapid has been the progress of dam building that by 1957, only 9 years later, four of nine dams—or alternates thereto—are under construction, with The Dalles and Chief Joseph nearing completion. See a later section of this paper.)



*Fishery Development Program.*—In preparation of the comprehensive report of 1948 on the Columbia River basin the Corps enlisted the cooperation of many interested agencies. Included was the Fish and Wildlife Service which joined in studies of water resource developments as affecting fish and wildlife of the basin. As one of its major findings the Service recommended that major steps be taken, primarily in the lower river and its tributaries below McNary Dam, partially to compensate for some of the losses that were found to occur in the upper river areas. This Lower Columbia Fishery Development Program, adopted by the Corps as a part of its comprehensive report, recommended improvements along certain tributaries which were known to be valuable to the salmon industry, to develop their optimum capacities for salmon reproduction. Log jams were to be removed, difficult falls or rapids laddered and diversions screened. In addition, a major hatchery program was recommended for the artificial propagation of salmon. This entire program was accepted by Congress in 1950 and the work has been under way during the past six years. Approximately 15 million dollars have been spent and good progress realized on many of these projects. Eventual expenditures up to about \$40,000,000 are programmed.

The findings of the Columbia River Review Report made it evident not only to the Federal Government but to the states involved and to private industry that a major program of research and constructive rehabilitation must be undertaken immediately to keep up with the progress in other phases of water resource development in the Columbia Basin. Research work has been going on, especially in basic ecology by the U.S. Fish and Wildlife Service, the University of Washington and to a limited extent by the state agencies. However, a much expanded program of study of fish behavior, their migrating and spawning needs, their action at barriers, and methods of guiding was needed. Some of these basic problems were under study by the International Pacific Salmon Fisheries Commission as a continuation of the Fraser River development in Canada. Federal and State agencies gradually increased the tempo of their studies and in 1953 a cooperative agreement was reached between the Corps of Engineers, the three State Fish and Game agencies involved, the U.S. Fish and Wildlife Service, and the University of Washington, for a much intensified research program. Much of this program was financed by appropriations to the Corps of Engineers administered through the medium of contracts with the several agencies for specific studies. Each of the agencies within its own limitation of funds stepped up its program study to complement the Corps program. This tempo has increased until at the present time there are probably thirty to fifty individual studies being conducted in relation to river development and the salmon of the Pacific Northwest.

It is interesting to note the change of emphasis in this research program. In the planning of McNary Dam the emphasis was placed primarily on requirements for adequate passage upstream of the adult salmon migrating to their spawning beds. The engineering and biological studies of the problems of attracting and collecting of upstream migrants and affording them safe passage up over the dams of almost any height, by ladders for the lower dams and by locks or tanks on inclined tramways for higher dams, have been effected to a degree where it can safely be said that a high structure need no longer be a major obstruction to the upstream migration of adult fish. Problems do still exist for optimum upstream passage, and for reduction in the present extremely high costs for these facilities. Among such factors may be mentioned widths and slopes of ladders, amount of water supply, and further development of locks for large scale movement of fish. Nevertheless, the major problems now lie in developments for safe passage downstream of the fingerlings migrating to the sea. This is evidenced by a review of the several studies being made by

the fishery agencies. Fourteen separate studies have been made by the fishery agencies. Fourteen separate studies have been made in the past five years on the problems of downstream migrants at dams. Another fifteen studies have been made by the agencies on the guiding of downstream migrants. Other studies relate to the biological aspects of the salmon, water problems of flow and quality, problems of adult salmon at dams, fishway studies and migration of adult salmon.

The many studies concerning guidance of downstream migrants presents an interesting review of this facet of the research program. Guidance by artificial means of all types is being investigated. Electrical guidance in many forms and under many conditions is receiving extensive studies. Parallel to those studies must be the other investigations of the effect of electricity on fingerlings; the effect of electric shock upon reproductivity and the limiting ability of various sizes of fish to withstand electrical currents. Similar studies are being made on light as a means of guidance and the effect of light waves on migration. Sound waves and chemical changes of water also affect fish and these factors are being studied. With all of these artificial directional studies must go physiological and psychological studies regarding their effects.

In investigating the problems of downstream migrants, the distribution of fingerlings in natural streams and in reservoirs must be determined, including not only the depth at which they travel but the depth to which they will sound when a partial barrier is encountered. When fingerlings reach dams or major obstruction the various avenues of migration past that structure must be investigated, including the relative desirability of passing over the spillway; through the power turbines; or by specially designed bypass routes. Various types of spillway design are studied including mortalities under a range of operating conditions. The hydraulically desirable backroll of a spillway to break up high velocity can be very damaging to downstream migrants. On higher dams the path of the water down the face of the spillway is an important feature and recent studies on modified spillways show possibilities for a ski-jump type where it has been shown that fingerling fish experiencing a free fall with terminal velocities, plunging into a pool of water below the dam can survive with very low mortality rates. Evaluation of mortalities caused by squaw fish and other predators on young salmon is a subject of parallel study. Marked fingerling by the hundred thousands are being placed under all kinds of prototype conditions at many types of structures to study their relative survival rates, and effect of passage conditions on them. Effect of pressure changes as they pass through turbines and sometimes enter areas of negative pressure are being investigated.

Condition of the water in the stream is an important feature of research for the fishery. Water quality, of course, has a direct relation with respect to pollution. The temperature regimen of the river also has a very profound effect on migrating salmon. Low flows with high temperatures encourage disease, and reduce stamina. Waters taken from the bottom of a reservoir are colder and again change the action of salmon, even increasing spawning below the dam because of this temperature regimen. Water flows and action of water through spawning gravels is an important feature and the success of artificial spawning areas may depend on proper percolation. One of the important aspects of this research program is the fact that study of a particular condition at a dam or in a stream raises specific biological, physiological and stream flow questions which must be answered by extensive laboratory investigations before proper evaluation of the particular problem can be made.

The extensive research program indicates the determination of those planning for the development of the water resources of the Columbia Basin to assure the continued existence of this great salmon resource along with the flood con-

trol, navigation, irrigation and power development necessary for the economic progress of the region. To illustrate the extent of this research and development program for the fishery, and the widespread participation in these cooperative efforts, there is cited below a list of the agencies actively contributing to these studies. The public agencies listed are largely the same agencies through which the research program of the Corps of Engineers is being prosecuted.

- Canadian Department of Fisheries
- United States Fish and Wildlife Service
- Fisheries Research Board of Canada
- International Pacific Salmon Fisheries Commission
- University of British Columbia
- University of Washington
- Washington State College.
- Washington State Department of Fisheries
- Washington State Department of Game
- Oregon Fish Commission
- Oregon Game Commission
- Idaho Department of Fish and Game
- The City of Tacoma
- Idaho Power Company
- Pacific Northwest Power Company
- Chelan County PUD
- Grant County PUD
- Pacific Power and Light Company
- Portland General Electric Company

In addition to these agencies the industry has a research program of its own concerned primarily with the Alaska phases of the fishery. The several power companies and public utility districts are currently interested in power projects and are participating cooperatively with the State fishery agencies in several studies.

#### Tangible Achievements

With the fish and dam problem under attack on so many fronts and by so many agencies, what of the achievements to date? Has any real progress been made? The authors believe the answer should be in the affirmative, that findings and developments of greatest importance to the ultimate solution of the problem have been achieved. The more significant of these will be discussed briefly. Some of these forward steps are not sufficiently proven by experience to be accepted by all at face value, so may be subject to divided opinions; nevertheless it is felt that they should be pointed out as possibilities at least, subject to the tests of further experience.

*Upstream Passage of Adult Salmon over High Dams.*—Bonneville Dam fish ladders, with an average lift of 62 feet, have now been operating 16 years. Chart 2 of this paper indicates that, over the long term, escapement over the dam has been increasing. Whether this is due to increased production in the Columbia and its tributaries above Bonneville, or merely due to increasing restrictions placed on commercial fishing below the dam is a debatable question. Nevertheless this record does seem to indicate a considerable degree of success for this operation. McNary Dam fish facilities, with their 50 per cent greater height and \$28,000,000 cost, have been in operation only since 1953, a period too short to draw any firm conclusions as to the effectiveness of these ladders. However, there are no indications of blocking or undue delay to the fish migrations due to this structure, and available evidence with regard to upstream passage, insofar as known to the authors, is all favorable.



Temporary means of passage by use of a V-trap and bucket was experienced at McNary Dam during construction. Fish were attracted into a holding chamber and thence into a 1500 gallon bottom dump bucket which was hoisted over the dam to the forebay by crane. The operations, because of temporary construction conditions were more complicated than would normally prevail; however, the operation was relatively successful, with as many as 15,000 salmon being passed in one day. From this experience it would seem entirely practicable to apply the bucket or elevator principle to a dam of any height. This basic principle of collection of the fish in a container which is then hauled up an inclined tramway, is used at the 230 foot high Baker Dam.

*Downstream Passage of Fingerlings over High Dams.*—Within the past few years a series of significant experiments related to the downstream passage of fingerlings over high dams have been conducted in the Northwest, principally by the Washington State Department of Fisheries. These are summarized as follows:

- (a) *Spillway and Turbine Experiments—Elwha and Glines Canyon Dams.*—At the 100-foot high Elwha Dam, fingerlings released over the spillway, which discharges on to rocks below the dam, showed only 62.9 per cent survival. In another series of tests some 17,900 yearling silver salmon were released over the free overfall spillway of the 200-foot high Glines Canyon arch dam, with the favorable survival rate of approximately 92.2 per cent. Release of 17,925 yearling silver salmon through a Francis type turbine utilizing 1500 c.f.s. under 184-foot head resulted in a survival rate of 69.6 per cent. At the nearby Elwha Dam 37,000 yearling silver salmon were released through the Francis turbines each utilizing 500 c.f.s. under a 100-foot head, with a survival rate of 100 per cent. These tests indicate that, contrary to general impressions, fingerlings do have a fair chance of passing safely over high spillways and through relatively high head Francis turbines.
- (b) *Free Fall Experiments in Air.*—Experiments in free fall have recently been conducted with fingerling fish up to six inches in length. These fish were dropped from a helicopter at a height of 300 feet into a body of water with no mortalities. Wind tunnel studies showed that fingerlings may reach their terminal velocity in air after a fall of 150 feet. This principle of free fall has direct application to passage over spillways. It is put to practical use as an accepted procedure in planting mountain lakes by dumping of fish from an airplane.
- (c) *Release over Ski-Jump Spillway.*—Significant to the successful passage of fingerlings over dams have been recent experiments at the 230-foot high Baker arch dam (on Baker River, Washington) where 240,000 fingerlings were released over an improvised "ski-jump" spillway to drop into the pool below. A survival of 85 per cent was obtained as compared to the survival rate of only 40 per cent for those fish passing over the regular spillway and down the face of the dam. The relative success of the ski-jump experiment, together with earlier tests, indicates the possibility of passing fingerlings over any height of dam by means of a free drop provided the tailwater pool is of sufficient depth.

*Downstream Migration.*—Experiments have indicated that the greater number of the fingerlings moving downstream on a large body of relatively still water, such as a deep reservoir behind a dam, travel generally in the top 15 to 20 feet of water. This indicates that they are less likely to enter the turbine intakes if the latter are located at a considerable depth below the surface. This combination of factors lends great significance to the current research program on fish guidance. The City of Tacoma, in connection with

design of two high dams planned for Cowlitz River, a tributary of the lower Columbia, have developed experimentally a practicable means of separating fingerlings from the bulk water of the forebay. In collaboration with the Washington State Department of Fisheries, the City has devised a system briefly described as follows: Based on the hypothesis that fingerlings will be attracted to an outlet by a large flow near the surface, a "skimming" device or weir is located at the face of the dam, with attraction flow created by low head pumps. This water passes over screens which allow the fish and a small amount of water to pass over the top, from whence they are transported by an open, free flowing flume to the tailrace below the dam. If the parallel need for a practicable means of guiding the fingerlings to the weir can be developed by the current research program, there seems to be a distinct possibility of reaching an acceptable solution to the overall problem of downstream fingerling passage.

*Artificial Propagation.*—In recent years the possibilities of artificial propagation have been the subject of extensive experimentations, and a number of stations have been constructed for artificial spawning. For many years the feasibility of artificial propagation of salmon was in serious doubt and there are still many unanswered questions. However, the Fish and Wildlife Service and the States of Oregon and Washington, after persistent experimentation and progressive improvement of techniques, have demonstrated that artificial propagation for certain species is effective in building up existing runs, and also in establishing new runs where none existed previously. An exceptional example is the Spring Creek Hatchery on a tiny tributary of Columbia River above Bonneville Dam. On this stream, only 300 yards in length and fed by springs, the U. S. Fish and Wildlife Service has established a large hatchery for artificial spawning of chinook salmon and release of fingerlings. Here, where no natural salmon run existed, has now been established an annual return of 10,000 to 18,000 fish—a striking example of the instinct of the salmon to return to the very point of its birth. There are now about 20 salmon hatcheries operating in the Columbia River basin.

*Replacement of Willamette River Natural Spawning Areas by Hatchery Operations.*—Artificial propagation by hatcheries has recently been applied in the Willamette Basin and elsewhere with the intent to maintain and build up salmon runs cut off by high dams. Detroit Dam, about 368 feet in effective height, and Lookout Point Dam, 230 feet effective height, have been constructed across the North Santiam and Middle Fork Willamette Rivers respectively. In both instances these heights were considered at the time of construction to preclude passing of fish over the dams. Instead, the Corps of Engineers from project funds financed the construction of large hatcheries on each stream to furnish replacement stock for the runs cut off from upstream spawning areas, to be operated by the Oregon State Fish Commission. Adult fish are taken in the main streams downstream from the dams and transported to the hatcheries for artificial spawning. The capacity of each hatchery is 14,000,000 eggs annually.

*Artificial Spawning Grounds.*—A new technique under active consideration for application to the Columbia River Basin, is that of constructing artificial spawning grounds at favorable locations with the purpose of inducing natural salmon spawning. This method has been used at one or two locations in British Columbia, and is now being investigated by the Washington State Department of Fisheries for a possible location immediately below McNary Dam. The procedure would be to construct gravel beds of proper gradation and slopes into which river water would be diverted to create conditions as near as possible to those in which salmon spawn naturally on the streams.

*Effect of Reservoir Releases on Downstream River Spawning.*—A development that may be of great future significance is the use of storage releases from reservoirs to improve stream conditions for salmon spawning in the river downstream. In the case of the Shasta Reservoir on Sacramento River it was found that the releases of stored water from the reservoir lowered the temperatures in the Sacramento River downstream by an average of about 20 degrees Fahrenheit during the summertime, as compared to natural flow conditions. This lower temperature, together with increased regulated low water flow, has proven very favorable to salmon spawning. Since the reservoir was placed in operation in 1942 the salmon spawning in the Sacramento below the dam has increased substantially over what they were prior to construction of the dam. This increase is said to have more than offset the losses caused by the blocking of upper river spawning areas by this high dam. A similar development is believed to be taking place to some degree on the Willamette River in Oregon below the storage reservoirs constructed on its tributaries. Especially favorable conditions appear to exist below Detroit Dam on North Santiam River where water temperature as released from the reservoir is about 45 degrees Fahrenheit. Relatively uniform releases are made during the summer and fall low flow period in the interests of power production at site, and to provide increased flow for navigation on the main stem of Willamette. A secondary benefit from this increased flow is reduction of the very heavy stream pollution that previously existed along the lower river. This factor again is of decided advantage to salmon migrations as well as to spawning, eliminating lethal water conditions that previously existed.

*Summary of Achievements to Date.*—Columbia River salmon and steelhead trout runs, which over a period of 70 years yielded an annual commercial harvest averaging nearly 400,000 cases, have in most recent years declined to the point where the annual commercial catch is not much more than 40 percent of the former amount. Sports fishing, on the other hand, has progressively increased over the years, and is now estimated to amount to the equivalent of at least 100,000 fish or 30,000 cases. Causes of the progressive decline are not clearly defined, but probably include stream pollution, effects of logging of watersheds, unscreened irrigation diversions, unladdered or ineffectively laddered dams cutting off spawning areas, reduction in summer flows because of irrigation diversions, ocean catch of immature salmon, ocean catch of sardines or pilchards—a salmon food source, and over fishing. The latter factor, while disputed by many, seems to be borne out by the fact that nearly comparable declines have taken place on streams or areas where none of the other factors are present.

Rapid development of the great power and other resources of the Columbia in recent years has brought into sharp focus the problem of maintaining the salmon runs. Whatever share of blame the dam builders have deserved in the past, all are now united in the determination that the fishery resource must be preserved, and engineering and biologists alike are working cooperatively to this end. Already many outstanding achievements have been recorded, and a vast research program is under way. Physical accomplishments are summarized as follows:

- (a) Legislative actions to restrict fishing gear, places and time of commercial fishing.
- (b) Legislative actions to eliminate stream pollution.
- (c) Screening of canal intakes to prevent entry of fingerlings.
- (d) Laddering of dams at critical locations where none or ineffective ladders previously existed.
- (e) Removal or laddering of natural obstructions in rivers.



- (f) Establishment of a fish sanctuary program on lower Columbia River to build up runs in replacement of those lost upstream. This program is currently (1957) in the process of being extended to certain areas of the upper tributaries.
- (g) Inauguration on a large scale of artificial propagation by construction of hatcheries.
- (h) Use of hatcheries to sustain existing runs and to replace runs on rivers blocked by high dams.
- (i) Rehabilitation and enlargement of natural runs where practical.

Current research programs are being conducted on a cooperative basis, participated in by the Corps of Engineers and other dam-building agencies and by Federal and State fishery agencies, directed toward developing:

- (a) Better data on size and distribution of fish runs.
- (b) Improved means for upstream and downstream passage of fish over dams—(ladders, locks, elevators, tanks, barges).
- (c) Space and water supply requirements for fish passing facilities.
- (d) Methods of attracting and controlling movements of fish at dams to direct them to safe passages, with special emphasis of directional guidance of fingerlings.
- (e) Experimental investigations of fingerling passage through turbines and over spillways.
- (f) Experimental development of artificial spawning beds in or adjacent to streams.

Tangible accomplishments of the research program of practical significance to fish passage over dams and related problems include to date:

- (a) Demonstration that artificial propagation of several species of salmon can be successful, even to the extent of establishing new runs where none existed before.
- (b) Demonstration that adult fish, with proper attraction conditions provided, can be lifted over dams of any height by fish ladders, locks, or in tanks over tramways.
- (c) Demonstration that fingerlings can survive a free fall into water from any height, such as over a ski-jump spillway, thus providing a long step towards downstream passage of fingerlings over a dam of any height.
- (d) Indications that fingerlings travel generally near the surface of a reservoir, hence can probably be kept out of deep turbine intakes and thus simplifying the problem of attracting or guiding them to a safe exit over or through the dam.
- (e) Demonstration, on Willamette and Sacramento Rivers, that cold water releases from a reservoir may establish conditions favorable to spawning in the river downstream from the dam.
- (f) Development of the vertical slot type ladder.

#### DAM AND RESERVOIR DEVELOPMENT PROGRAM

What of the dams and generating plants? What influence has the fishery had on location, size and design of the structures? It has always been considered that high head type turbines would be lethal to downbound fingerling seeking passage through the power units. Experiments with Francis turbines at the 100-foot high Elwha Dam and under 184 feet at Glines Canyon Dam seem to partially refute this. On a large river such as the Columbia Kaplan

type turbines are generally assumed to have distinct advantages to fingerling passage because of their large waterway openings, but this is true only under certain conditions. On the large Columbia-Snake River navigation dams this type was selected primarily because of the over-all higher efficiency over a wide range of head, and the economically desirable larger individual units that are physically possible of construction. In physical dimensions, such as wheel diameter, these units are from about 50 percent larger to twice as large as the largest competitive Francis wheels for the same head conditions. The larger Kaplans are accordingly slower moving in terms of r.p.m., and have a large gross area for water passage. These factors constitute to some degree an advantage to fingerling passage as applied to the Columbia and lower Snake installations. The limiting head of 90 feet to 110 feet used on these large installations has been adopted on the basis of economic factors and design considerations such as limiting load on thrust bearings. Whether or not this head limitation is also desirable from the standpoint of fish passage, as has been assumed by many, is not known and experimentation along this line is now planned.

As for location, almost any proposed dam on a fishery stream is subject to considerable criticism but again, recognizing the Salmon River spawning areas as vital to the fishery, it has been considered undesirable to place any major structure on that stream or to construct a high dam in the Snake River Canyon below the mouth of the Salmon and Imnaha rivers.

Design for dams, other than for fish facilities, has been influenced by the fishery primarily in the spillway studies. At run-of-river dams, the major migration of downstream fingerlings is during the annual period of spill. A spillway bucket with as little turbulence as practical and streamlined flow is most desirable. This is, of course, the opposite of the desired hydraulic effect for proper energy dissipation. Compromises have had to be considered and worked out by model studies in order to have spillway buckets as efficient hydraulically as practical under average conditions, and in the interest of fish life maintaining as high velocities with minimum turbulence as can be accommodated by downstream conditions.

### CURRENT STATUS OF RIVER DEVELOPMENT

What of the river developments that have taken place or are under way since the advent of the "308" Report in 1948? Chief Joseph Dam, on Columbia River above the mouth of the Okanogan River, has been nearly completed and is in operation. The Dalles Dam, at the Dalles, Oregon, is under construction and final closure was completed this past winter. Ice Harbor Dam, the first of the four authorized dams on lower Snake River, is under construction. (See map for locations.) Farther upstream, in the Hells Canyon reach of Snake River, the Idaho Power Company is constructing Brownlee Dam in lieu of the original high Hells Canyon project and hold FPC licenses for the Oxbow and low Hells Canyon dams. Downstream therefrom, preliminary planning of the Mountain Sheep and Pleasant Valley projects has been completed by the Pacific Northwest Power Company, although these projects have not received final FPC action for licenses. A low Priest Rapids Dam on the Columbia River, above the mouth of the Yakima, is under contract by the Grant County Public Utility District and work is now started. Wanapum Dam, next above and immediately below Rock Island, is in the planning stage. The Rocky Reach and Wells Dams on the Columbia River between the Wenatchee and Okanogan Rivers are under active planning by public utility districts and construction is being initiated this year (1957). The Corps of Engineers is doing preconstruction planning for the authorized John Day Dam on the Columbia River at the mouth of the John Day River.

## CONCLUSION

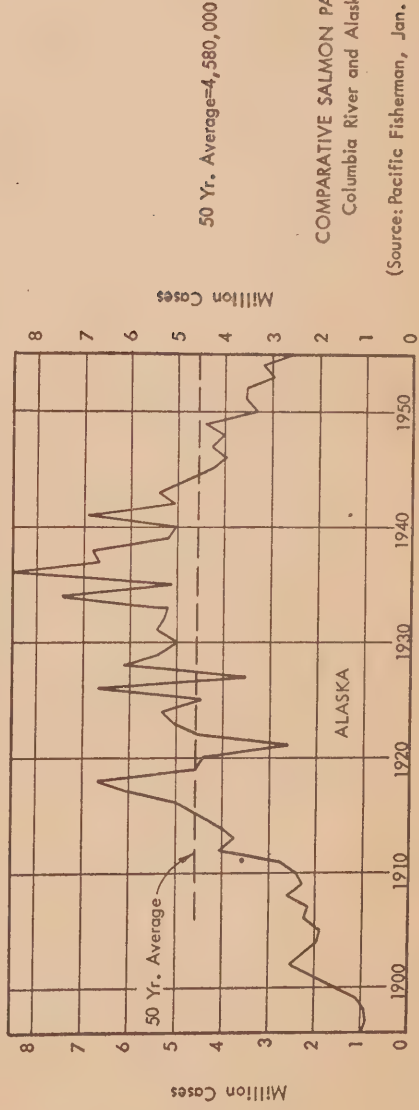
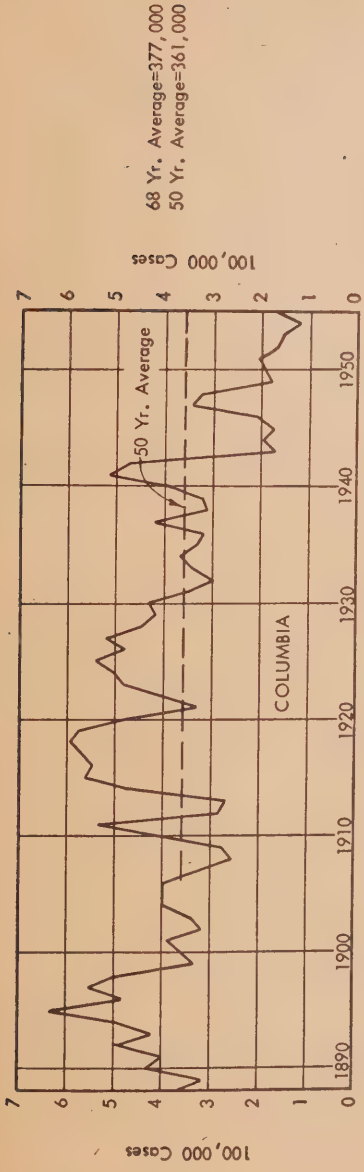
The intense interest indicated by this entire construction program attests to the need for regional development. The major monetary benefit from all of these projects is power production, with navigation also involved at The Dalles, John Day and Ice Harbor, and flood control features included at John Day, Pleasant Valley and Brownlee. There is vital need for electric power to meet the rapidly growing demand in the Pacific Northwest, where natural fuels are scarce. If these projects are all realized, it is evident that the obstructions and modified passage conditions that man has placed in the stream up to the present time are only minor in comparison to those which will confront the salmon on their migration and spawning routes 10 years from now. Man's ingenuity and the inherent resilience and stamina of the Pacific Salmon will be heavily taxed to assure the coexistence of these two great resources. Success will be based on sincerity and persistence in finding solutions to the problems of handling salmon. Where apathy was once quite evident when the subject of adequate care for migrating fish was considered, careful study and desire to protect the fishery are now evident. The commercial fishery recognizes that it has a responsibility for the resource. The Federal agencies, power companies and public utilities districts are expending large sums for fish passage facilities and for research, and have all engaged competent biologists and engineers to advise them on adequate conditions as well as engaging the State agencies to do specific research work for them. The Corps of Engineers is continuing its research program, model studies of construction problems, and improving the designs of fishways based on experience of the past.

The Pacific Northwest has been blessed with a tremendous resource, its falling water. To compensate for shortages in some other natural products, and with current population growths and industrial development needs, it is essential that this great water resource be conserved and used to its optimum potentialities. Among these potentialities are the salmon, a great natural resource furnished without cost by nature. It is of vital importance to the region that every effort be made to preserve this resource along with the development of others, and efforts to this end must continue even beyond the period of development that is now taking place.

The increased tempo of development and changed conditions that have become evident in the past decade since the "308" Report of 1948 have indicated that that report should again be reviewed to plot the new development trends and needs for the next two decades. This second review is now under way and it is evident that additional projects will no doubt be investigated, authorized, and constructed that will further modify the action of the salmon as he proceeds upstream to his native area. Parallel with these investigations are additional research and physical studies to keep the salmon resource abreast of other resource developments.





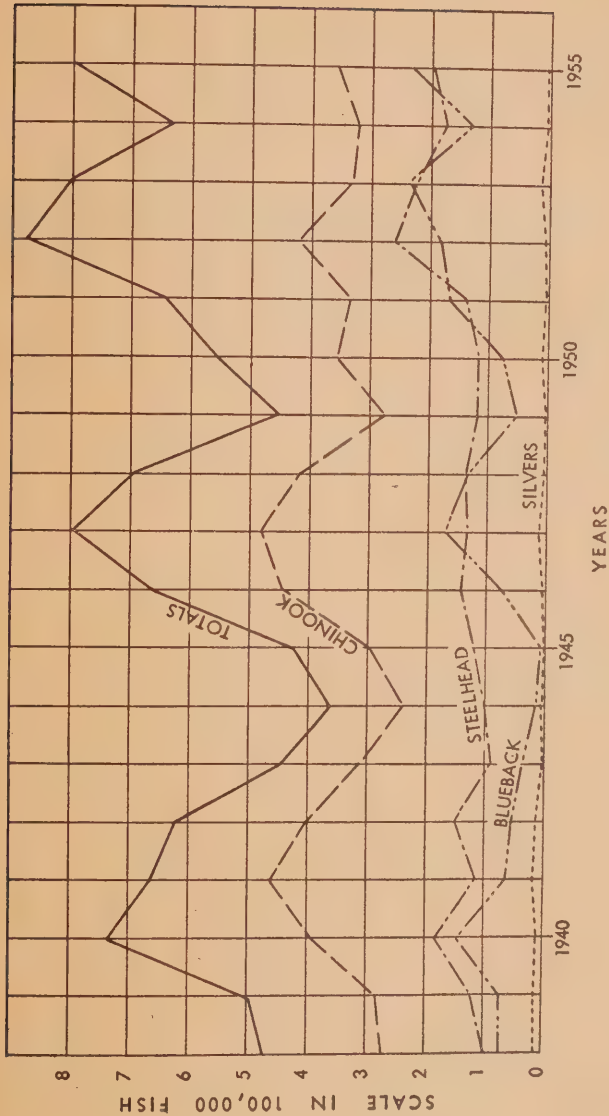


COMPARATIVE SALMON PACKS  
Columbia River and Alaska  
(Source: Pacific Fisherman, Jan. 25, 1956)

Chart 1







RECORD OF SALMON & STEELHEAD  
PASSING BONNEVILLE DAM  
YEARLY TOTALS

Chart 2



HOUSE OF COMMONS

First Session—Twenty-third Parliament

1957

Government  
Publications

STANDING COMMITTEE

ON

# EXTERNAL AFFAIRS

Chairman: H. O. WHITE, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

MAIN ESTIMATES OF THE DEPARTMENT OF  
EXTERNAL AFFAIRS—1957-58

TUESDAY, DECEMBER 17, 1957

WITNESSES

Mr. W. D. Matthews, Assistant Under-Secretary of State for External Affairs; Mr. H. F. Clark, Director, Finance Division, Department of External Affairs.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1958



## STANDING COMMITTEE ON EXTERNAL AFFAIRS

*Chairman:* H. O. White, Esq.  
and Messrs.

Aitken (Miss),  
Best,  
Breton,  
Cannon,  
Cardin,  
Coldwell,  
Crestohl,  
Fairfield,  
Garland,  
Gauthier  
(*Lake St. John*),  
Haidasz,

Henderson,  
Herridge,  
Holowach,  
Jones,  
Jung,  
Knowles (*Winnipeg  
North Centre*),  
Kucherepa,  
Low,  
MacEachen,  
Macnaughton,  
Macquarrie,

Martin (*Essex East*),  
McCleave,  
McGee,  
Montgomery,  
Patterson,  
Pearson,  
Pratt,  
Rea,  
Smith (*Calgary South*),  
Stick,  
Stewart (*Winnipeg  
North*),  
Stuart (*Charlotte*)—35.

J. E. O'Connor,  
*Clerk of Committee.*

## MINUTES OF PROCEEDINGS

TUESDAY, December 17, 1957

The Standing Committee on External Affairs met at 11:05 a.m. this day. The Chairman, Mr. H. O. White, presided.

*Members present:* Miss Aitken, Messrs. Best, Cannon, Cardin, Coldwell, Crestohl, Garland, Haidasz, Herridge, Knowles (*Winnipeg North Centre*), Kucherepa, Macquarrie, McCleave, Pratt, Smith (*Calgary South*), Stewart (*Winnipeg North*), Stick, and White—(18).

*In attendance:* Mr. W. D. Matthews, Assistant Under-Secretary of State for External Affairs; and Mr. H. F. Clark, Director, Finance Division, Department of External Affairs.

In opening the meeting, the Chairman called Item 94—General Administration—and announced that Messrs. Matthews and Clark would answer questions asked by Members at previous meetings.

By leave of the Committee, it was ordered that a letter addressed to Mr. J. B. Carswell by the Under-Secretary of State for External Affairs relating to the proposed leasing by the Government of Canada of space in "Canada House" be printed as an appendix to the record of today's proceedings. (See Appendix A.)

On the motion of Mr. Crestohl, seconded by Mr. Cannon,

*Resolved*,—That invitations be extended to Messrs. Ray Lawson and William Zeckendorf and any other person or persons who may be able to enlighten the Committee on the "Canada House" transaction in New York, to appear before our Committee with the necessary documents, records and information so that all the facts in relation to the transaction may be placed before the Committee for examination and study.

At 11:55 a.m. the Committee adjourned to the call of the Chair.

J. E. O'Connor,  
*Clerk of the Committee.*





## EVIDENCE

TUESDAY,  
DECEMBER 17, 1957.  
11.00 A.M.

The CHAIRMAN: If the committee will come to order we will proceed with the unfinished business. As it stands now, gentlemen, the only item left is item 94, departmental administration.

As you will recall, there was some considerable discussion about the general administration and a lot of questions on the first two days.

Mr. Matthews is here again with us today and he is going to produce the answers to some of those unanswered questions. So I think we will have Mr. Matthews take care of those questions which were asked and proceed from there.

Mr. W. D. Matthews, Assistant Under Secretary of State for External Affairs, called:

Mr. Chairman, some days ago Mr. Knowles asked if we would table statements showing the Canadian contributions and the total contributions of all countries to the aid and assistance programs. I have these tables here. They show the figures for the programs which Canada participates in, including the total of the contribution of others to the United Nations program and to the Colombo plan. It should be realized however that this does not cover all bilateral programs. The only one which Canada participates in is the Colombo plan and many other contributing countries make contributions under other bilateral arrangements.

The CHAIRMAN: Is it the wish of the committee that we print these tables?

Agreed to.

### CONTRIBUTIONS TO EXPANDED PROGRAM OF TECHNICAL ASSISTANCE

(in thousands of U.S. dollars)

	<i>Total Contributed</i>	<i>Contributions Outstanding</i>	<i>Canadian Contributions</i>
1955 .....	27,666.2	168,267	1,500.0
1956 .....	28,833.7	1,432,586	1,800.0
1957 .....	30,794.2		2,000.0
1958 .....	30,000.0		2,000.0

(anticipated)

## UNITED NATIONS REFUGEE FUND

TARGET BUDGET FOR THE FOUR YEARS (1955-58) OF UNREF'S OPERATION IS  
\$16 MILLION\*

1955	1956	1957	1958
\$4.2 million	\$4.4 million	\$4.4 million	\$3.0 million

\*In July 1957, the UN High Commissioner for Refugees said the target budget of \$16 million was inadequate, and should be raised to \$20.8 million.

TOTAL OF ALL GOVERNMENT CONTRIBUTIONS (THE 1957 AND 1958 FIGURES  
INCLUDE PLEDGES AS WELL AS CONTRIBUTIONS)

\$2.65 million	\$3.25 million	\$3.4 million	\$3.3 million
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\*This figure covers pledges as well as contributions up to November 7, 1957.

## CANADA'S CONTRIBUTION

\$125,000	\$125,000	\$200,000*	\$200,000*
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\*Subject to the approval of Parliament.

## UNITED NATIONS CHILDRENS FUND

## TARGET BUDGET

1955	1956	1957	1958
\$20 million	\$20 million	\$21 million	\$21 million

TOTAL OF ALL CONTRIBUTIONS (GOVERNMENT AS WELL AS PRIVATE)			
\$17.5 million	\$19.8 million	\$20.5 million*	Figure not available

\*Estimated figure.

## CANADA'S CONTRIBUTION

\$500,000	\$650,000	\$650,000*	\$650,000*
-----------	-----------	------------	------------

\*Subject to the approval of Parliament.

## UNRWA FINANCES

1 July 1954-30 June 1955—1 July 1955-30 June 1956—1 July 1956-31 Dec. 1957

<i>Contributions Received</i>		(18 months)
25,160,571	24,218,141	42,661,000 (estimated)
<i>Canadian Contributions</i>		
500,000	200,000 cash	750,000
	300,000 wheat	(subject to
	flour	approval by
		Parliament)

COLOMBO PLAN CAPITAL AID AND TECHNICAL ASSISTANCE  
(amounts in millions of dollars)

	<i>Estimated Total Contributions</i>	<i>Canadian Contributions</i>
1955-56 .....	975 million.	26.4
1956-57 .....	1 billion	34.4 (1)
1957-58 .....	See Note (2)	34.4
Pledged 1958-59 .....	See Note	35.0

## Notes

(1) In 1956-57 Pakistan received in addition, \$1,475,833 worth of wheat, on the understanding that the counterpart funds, generated by the sale of the wheat, would be used for development purposes. This sum was provided for in the Supplementary Estimates for 1956-57.

(2) Estimate for 1957-58 will not be available until annual review at 1958 meeting of Colombo Plan Consultative Committee.

The WITNESS: Another question which was asked was whether we could table a statement showing rentals paid for all rented properties. I have the statement here. It is quite a long statement. There are many properties in many parts of the world but could I also table that, Mr. Chairman?

Agreed to.

STATEMENT SHOWING CURRENT RENTALS PAID BY THE DEPARTMENT  
AT POSTS ABROAD PROJECTED TO COVER THE PERIOD  
OF ONE YEAR

(NOTE: \* denotes ground rent only)

## ARGENTINA

Chancery .....	\$ 1,800	
Residence .....	14,350	
Garage .....	153	
Total .....		\$ 16,303

## AUSTRALIA

Chancery .....	\$ 3,200	
Residence .....	200*	
Staff .....	(1) 86*	
	(2) 446	
	(3) 424	
	(4) 362	
Chancery Sites .....	129*	
Residence Sites .....	378*	
Total .....		\$ 5,225



## STANDING COMMITTEE

## AUSTRIA

Chancery .....	\$ 5,040
Residence .....	4,056
Garage .....	165

Total ..... \$ 9,261

## BELGIUM

Residence .....	\$ 10,000
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Total ..... \$ 10,000

## BRAZIL

Chancery .....	\$ 2,200
Staff .....	2,000
Garage .....	150

Total ..... \$ 4,350

## CEYLON

Chancery .....	\$ 4,200
Residence .....	2,450
Staff .....	732

Total ..... \$ 7,382

## CHILE

Chancery .....	\$ 2,524
Residence .....	9,000
Garage .....	100

Total ..... \$ 11,624

## COLOMBIA

Chancery .....	\$ 4,032
Residence .....	9,000
Garage .....	300

Total ..... \$ 13,332

## CUBA

Chancery .....	\$ 5,310
Garage .....	270

Total ..... \$ 5,580

## CZECHOSLOVAKIA

Chancery .....	\$ 2,350
Residence .....	5,450
Staff .....	(1) 1,380
	(2) 3,000

Total ..... \$ 12,180

## DENMARK

Chancery .....	\$ 2,200	
Total .....		\$ 2,200

## DOMINICAN REPUBLIC

Chancery .....	\$ 2,150	
Total .....		\$ 2,150

## EGYPT

Residence .....	\$ 8,400	
Total .....		\$ 8,400

## FINLAND

Chancery .....	\$ 4,800	
Garage .....	250	
Total .....		\$ 5,050

## FRANCE (EMBASSY)

Garage .....	\$ 259	
Total .....		\$ 259

## FRANCE (NATO)

Chancery .....	\$ 1,500	
Residence .....	10,760	
Garage .....	189	
Total .....		\$ 12,449

## GERMANY

Chancery .....	\$ 5,435	
Residence .....	3,400	
Total .....		\$ 8,835

## GHANA

Chancery .....	\$ 3,360	
Residence .....	4,050	
Total .....		\$ 7,410

## GREECE

Chancery .....	\$ 3,800	
Residence .....	6,120	
Total .....		\$ 9,920

## STANDING COMMITTEE

## HAITI

Chancery .....	\$ 2,100	
Total .....		\$ 2,100

## INDIA

Compound .....	\$ 105*	
Staff .....	(1) 4,330	
	(2) 4,800	
Total .....		\$ 9,235

## INDONESIA

Staff .....	\$ 2,580	
Total .....		\$ 2,580

## IRELAND

Chancery .....	\$ 2,200	
Total .....		\$ 2,200

## ISRAEL

Chancery .....	\$ 3,740	
Total .....		\$ 3,740

## ITALY

Chancery .....	\$ 10,500	
Garage .....	312	
Total .....		\$ 10,812

## LEBANON

Chancery .....	\$ 4,500	
Total .....		\$ 4,500

## MEXICO

Chancery .....	\$ 8,064	
Residence .....	6,000	
Staff .....	2,400	
Total .....		\$ 16,464

## NEW ZEALAND

Chancery .....	\$ 4,500	
Garage .....	150	
Total .....		\$ 4,650

## NORWAY

Chancery .....	\$ 1,250	
Garage .....	200	
Total .....		\$ 1,450

## PAKISTAN

Chancery .....	\$ 14,005	
Residence .....	1,950	
Staff .....	(1) 70*	
	(2) 45*	
	(3) 2,903	
	(4) 1,210	
	(5) 1,800	
Total .....		\$ 21,983

## PERU

Chancery .....	\$ 3,910	
Residence .....	7,200	
Staff .....	1,400	
Total .....		\$ 12,510

## PHILIPPINES

Residence .....	\$ 5,184	
Total .....		\$ 5,184

## POLAND

Chancery .....	\$ 9,000	
Residence .....	2,940	
Staff .....	(1) 1,200	
	(2) 1,916	
	(3) 1,200	
	(4) 1,600	
Garage .....	600	
Total .....		\$ 18,456

## PORTUGAL

Chancery .....	\$ 2,100	
Residence .....	8,040	
Garage .....	105	
Total .....		\$ 10,245



## SOUTH AFRICA

## —Pretoria

Chancery .....	\$ 2,740
Residence .....	100*

Total .....	\$ 2,840
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## —Cape Town

Chancery .....	\$ 4,110
Residence .....	2,000

Total .....	\$ 6,110
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## SPAIN

Chancery .....	\$ 7,900
Residence .....	10,700
Garage .....	150

Total .....	\$ 18,750
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## SWEDEN

Chancery .....	\$ 2,050
Residence .....	3,050
Garage .....	321

Total .....	\$ 5,421
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## SWITZERLAND

Chancery .....	\$ 2,600
Residence .....	7,985

Total .....	\$ 10,585
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## TURKEY

Chancery .....	\$ 5,725
Residence .....	11,000
Staff .....	1,434

Total .....	\$ 18,159
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## USSR

Compound .....	\$ 30,000
Staff .....	(1) 3,750
	(2) 2,550

Total .....	\$ 36,300
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## U.K.

Residence .....	\$ 550*
Staff .....	7,200
Garage .....	600
Storage .....	1,100

Total .....	\$ 9,450
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## U.N.

## —Geneva

Chancery .....	\$ 3,360	
Residence .....	2,360	
Total .....		\$ 5,720

## —New York

Chancery .....	\$ 12,718	
Residence .....	11,000	
Garage .....	420	
Total .....		\$ 24,138

## U.S.A.

## —Boston

Chancery .....	\$ 6,098	
Residence .....	5,300	
Total .....		\$ 11,398

## —Chicago

Chancery .....	\$ 13,980	
Residence .....	6,000	
Total .....		\$ 19,890

## —Los Angeles

Chancery .....	\$ 12,480	
Residence .....	5,400	
Garage .....	120	
Total .....		\$ 18,000

## —New Orleans

Chancery .....	\$ 3,500	
Residence .....	4,800	
Garage .....	370	
Total .....		\$ 8,670

## —New York

Chancery .....	\$ 42,321	
Residence .....	5,100	
Garage .....	360	
Total .....		\$ 47,781

## —San Francisco

Chancery .....	\$ 10,600	
Residence .....	4,800	
Garage .....	300	
Total .....		\$ 15,700

## U.S.A.—Concluded

## —Seattle

Chancery .....	\$ 8,800
Residence .....	4,116

Total .....	\$ 12,916
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## URUGUAY

Chancery .....	\$ 2,300
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Total .....	\$ 2,300
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## VENEZUELA

Chancery .....	\$ 6,500
Residence .....	17,500
Garage .....	280

Total .....	\$ 24,280
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## YUGOSLAVIA

Chancery .....	\$ 1,600
Residence .....	4,980
Staff .....	1,920

Total .....	\$ 8,500
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## SUMMARY OF RENTAL COSTS—ALL PROPERTIES

Chancery .....	\$ 269,152
Compound .....	30,105
Residence .....	225,291
Staff .....	52,738
Garage .....	6,124
Chancery Sites .....	128
Residence Sites .....	378
Storage .....	1,100

Grand Total .....	\$ 585,017
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Then there are also some outstanding questions on the chancery site in Canberra.

Mr. CANNON: I understand this information will not only be tabled but printed and attached to the report?

The CHAIRMAN: That is right.

The WITNESS: As I was saying, there are a few outstanding questions.

The chancery site in Canberra was leased for a 99 year period commencing March 1, 1956. The ground rent is 60 Australian pounds per year for the first 20 years and for the remaining period, at the rate of two per cent of the unimproved value of the land. We have a ground lease of the land, and we will build our own building, but the rental is only based on the land value. The building under the terms of the lease should be completed by March 1, 1959 and we understand that if short extensions are needed for that, the lease will

still stand. We were asked when the plans had been developed for this. The first lot, of what might be called preliminary plans, was completed on September 17th of this year. Those plans will still have to be worked over and if at the official level we consider they look satisfactory, then they will have to be submitted to our minister and after that if he approves, to the treasury board. So that there is still a certain amount to do before authority is even sought to go ahead.

We were also asked if we could obtain—

*By Mr. Cannon:*

Q. Before you go on to another question, I understand that you were erecting a building on land which was leased?—A. Yes. In Canberra all of the land is owned by Australia and they give you long ground leases. It is much the same as a great deal of the land in the United Kingdom. The land for Canada House is on a long term lease.

Q. How long does this lease last for?—A. Ninety-nine years

Q. Is the lease renewable?—A. That is subject to negotiation. Presumably it would be based on land values at that time.

*By Mr. Kucherepa:*

Q. There is no renewable clause?—A. No. We were also asked if it would be possible for us to produce any figures as to the amount of taxation which is foregone in respect of the properties which we own abroad. I am afraid that is an impossible figure because, those properties not being taxable, no tax bills are rendered so it is impossible for us to say how much benefit we get in the aggregate by owning the property abroad as opposed to renting. I might say that in renting, if it is an ordinary lease, the full tax is payable by the landlord and presumably your rent goes up by a sufficient amount to cover that.

Where there is one of these long term ground leases and we pay for the building, the building is tax free. The practice I think probably varies from country to country. The only place where we experienced this so far is in the United Kingdom and there, their taxes, which are called rates, are divided into two parts. One is the beneficial part which is for services and that entitles you to your water and other services. Naturally we pay that, but we do not pay what you call the non-beneficial part which is the part of the tax that goes into the general municipal funds.

The only other question outstanding of which I have a record is one concerning the total Canadian contribution to the working capital fund of UNESCO. You will recall that this year's estimates include a supplementary estimate for \$4,800 in United States funds to increase our contribution to the working capital fund. The amount which we have paid in before to the working capital fund is \$83,100 in United States funds. The increase results from an increase in the percentage assessment payable by Canada.

*By Miss Aitken:*

Q. Are the embassies here in Ottawa tax free too?—A. Yes and there is an item in the estimates for \$125,000 which is payable to the municipalities in the neighbourhood of Ottawa. The government some years ago agreed that as the embassy properties were not taxable the municipalities should be reimbursed for the amount they lost in that respect.

Q. Are they charged the equivalent of rates in taxes?—A. Of course, water here is paid for on a meter basis.

Q. Do they pay that themselves?—A. Yes, they would pay that themselves.



The CHAIRMAN: Any question arising out of this?

Mr. KUCHEREPA: Yes, pursuant to item 94, section 19 outlined on page 4 of the budget, I see here the exemption for diplomatic properties includes the general payment of taxes based on both the general and school principle. Now when you were discussing the United Kingdom, we pay our service tax there under the long term lease but we are exempt from non-service rates. There is a difference in the way we are getting reciprocation in the tax field.

The WITNESS: Well, I think it is services to the properties that we pay abroad. We would not pay a local school tax.

*By Mr. Kucherepa:*

Q. We are paying for these school taxes as well in Ottawa?—A. Yes, the government this year, for the first time, is reimbursing the municipalities for the school assessment as well as the general assessment.

*By Mr. McCleave:*

Q. Is this \$125,000 figure the total outlay under this heading?—A. Yes.

*By Mr. Garland:*

Q. On the subject of rentals, I was wondering whether the witness would care to elaborate on the decision of the present government to withdraw from the arrangements for occupancy of Canada House in New York?—A. Mr. Chairman, as Mr. Leger pointed out, this was a decision of the government. I do not think it would be appropriate for an official to make comment one way or the other on the governmental decision.

Q. If it was a decision of the government, why was this announced by a civil servant?—A. It was a decision in the administration field and I think that it was reasonable that when Mr. Leger was introducing the actual estimates he should mention this item—the minister you will recall, discussed foreign policy matters—he did not deal with any of the details of the estimates. It was when Mr. Leger was introducing the actual figures of the estimates he mentioned this because that decision did effect some of the items referred to in the mimeographed material which he presented to the committee.

*By Mr. Crestohl:*

Q. Can you tell the committee to what extent the government had been committed?—A. There was no legal commitment at all. There was what was called a letter of intent which indicated that the government was considering renting space in this building.

*By Mr. Coldwell:*

Q. Could we get a copy of that letter?—A. Yes.

Q. I think it would be a good idea.

*By Mr. Smith (Calgary South):*

Q. Is it not correct, Mr. Chairman, that when Mr. Leger discussed this, he said that one of the deciding factors which influenced the decision of the government to change its mind about this was the possibility of the lighting being completely excluded from the offices by the construction of a parallel building?—A. That was one of the factors that was mentioned in the letter which Mr. Leger read into the minutes of the meeting.

Q. So that in the interests of the staff, which is always generally considered in the construction of a building, they wanted to see that the employees had the best conditions possible, and this was not in keeping with the best possible conditions considering the amount of rent they were going to pay.

*By Mr. Garland:*

Q. Mr. Chairman, is it not a fact that this is the case on one side of the building only?—A. Yes.

Q. On one of four sides?—A. Yes.

Q. Which is certainly not out of the ordinary in a city like New York.

*By Mr. Smith (Calgary South):*

Q. There has been some suggestion about a coat of arms. I wonder if the witness could tell us whether or not there is actually a coat of arms placed on the building, or whether it is actually just a collection of maple leaves and other figures, which might be confused with a coat of arms?—A. All I have seen is the newspaper picture of what has been placed on the building. From that picture it appeared to me that the coats of arms of the provinces were there, but the federal coat of arms did not appear to be there. This was just a newspaper picture that I saw—I have not seen the detail of the design of the carving there.

*By Mr. Coldwell:*

Q. Is it not a fact that very few Canadian business organizations have decided to occupy offices in that building largely because of the fact that there was not sufficient floor space for them to advertise and to display their names, and so on?—A. I know that a great many of them that they had hoped would go in have decided not to go in. What the reason was I am afraid I do not know.

Q. I understood that was one of the reasons in respect to T.C.A., for example, and the C.N.R. and C.P.R. They would have to go to an upper floor, perhaps the second or third floor, whereas now they have accommodation in buildings that are facing right on the street where they can advertise. I understand that that was one of the factors taken into consideration in their decisions.

Mr. GARLAND: My understanding was that it was not necessarily a matter of a money-making proposition, it was a matter of pride of the people who participated in this, and that the success of the venture was primarily dependent upon the occupancy of the building by the federal government. I thought that was always the intention, quite apart from what other private firms had planned to do.

Mr. SMITH (*Calgary South*): I suggest that statement would hardly be in keeping with the facts unless there was evidence to support it.

Mr. CANNON: I suggest that you allow the witness to answer before you ask another question.

Mr. SMITH (*Calgary South*): I suggest it is better to have evidence to that effect before that statement goes on the record.

Mr. KNOWLES (*Winnipeg North Centre*): Mr. Chairman, may I ask a question to break this up? I am not critical of the government's decision, it seems to me the reasons have some merit, but I wondered if Mr. Matthews could clear up an apparent confusion between the statement that the original sponsors were backing out—I understood that statement to be made—and what Mr. Lawson indicates, that the original sponsors were not only staying with the proposition but prepared to put up even more money? As I say, I ask this question for information, not out of criticism of the government's decision.—A. We have never been officially advised as to the actual financial transactions. Our understanding is that, under the original scheme, when the building was commenced, the equity capital would be put up by a group of Canadians, and that was done. We also understood that when it was found that a greater

sum was going to be needed than was originally contemplated, further equity capital was needed, and to a very large extent, if not entirely, it was put up by American interests. At the moment, you have it partly owned by this group of Canadians and partly owned by the American interests.

*By Mr. Coldwell:*

Q. You mentioned a letter of intent?—A. Yes.

Q. What was the date of that letter, do you know, Mr. Matthews?—A. No, but it certainly was well over a year ago. I am afraid I do not know the actual date. As I said, I can have that letter tabled, and it will show the date. I have forgotten the exact time but it was well over a year ago.

Q. This project was first advanced five years ago, was it not?—A. This is something that has been talked about for a long time. I do not think there was any active promotion of it. It was more in the discussion stage until, I should think, something like two years ago.

*By Mr. Crestohl:*

Q. Mr. Chairman, I wonder if Mr. Matthews could make any observation in respect of the name "Canada House"? Has that name been formally given to that proposed building, and if the government does not follow through with its original plan, would it not be a cause of some embarrassment—having a building in New York called "Canada House", which actually will not be Canada House in any shape, form or manner?—A. Again my information is really hearsay. My understanding is that the name "Canada House" was registered in New York, under New York law, and was owned by the Canadian Club in New York. The corporation which is erecting this building purchased, or in some way acquired the right to use the name, from the Canadian Club of New York. There was no action on the part of the Canadian government. The Canadian government would not have any authority over such matters outside of Canada, I should think.

Q. There is no doubt about that, but when we hear the name "Canada House" in London, for example, we know in our minds at once what that means to Canadians, that is "Canada House".

If we have on our hands a building in New York called "Canada House", and I am not being critical of the government backing out, we will then have a situation where there is a Canada House in New York that will not actually be a Canada House. I am thinking in terms of public relations, a source of embarrassment, misdirection of mail and misuse of the name, and I was wondering whether your department has given any consideration to that. I really think you should.

The CHAIRMAN: Any further questions?

Mr. CANNON: I was wondering whether Mr. Matthews was going to answer that question. I do not want to ask another one before the answer is given.

The WITNESS: We have not yet really given consideration to this. I am not sure that it is really a matter for our department to consider. The use of the name "Canada" and the use of the Canadian coat of arms comes under the Department of the Secretary of State, so I really cannot give any informative opinion.

*By Mr. Cannon:*

Q. Is it not a fact that this plan of having a Canada House in New York, which was to be occupied by the Canadian government offices, Canadian firms, corporations and businesses, was planned in the first place as a matter of



prestige for Canada? Do you not think it is a fact that allowing the matter to drop will not only give rise to embarrassment, as my colleague Mr. Crestohl has said, but will also be a source of considerable lack, or loss of prestige for Canada?—A. You are asking me to comment on various items that must have been factors in a governmental decision. I really would prefer not to comment on that.

Q. Does the department know that when the project was originally planned, Canadian businesses and corporations were approached and asked to subscribe \$100,000 each, and that 30 of them did so, making a subscription, or participation, I should say, in that building of \$3 million? Is the department conversant with that subject?—A. As I have said, we have never been officially advised in regard to it, but that is the information we have.

Mr. SMITH (*Calgary South*): I think the figure is \$2,700,000.

Mr. CANNON: You do know about it.

*By Mr. Cannon:*

Q. My next question is, is it not a fact that the letter of intent that has been mentioned, and which will be tabled, was an influential factor in the decision of these businesses and corporations to put up this \$3 million?—A. I really cannot say what the factors were or how much individual ones weighed in their minds.

Q. Would that not be a reasonable conclusion?

Mr. HERRIDGE: Mr. Matthews—

Mr. CANNON: On a point of order, Mr. Chairman, I think that we should reread the question that Mr. Garland asked and that we should get an answer to it. We did not get an answer to it because the witness was interrupted by Mr. Smith who asked another question.

Mr. SMITH (*Calgary South*): What was the question?

Mr. CANNON: You may ask it and let us get an answer.

*By Mr. Garland:*

Q. I wonder if I might ask another question. Is it correct that new accommodation has already been rented to house the permanent United Nations delegation?—A. Yes.

Q. Could you say when that arrangement was completed; at what date?—A. I think it was some time in September.

Q. Can you say for certain when the principals in connection with Canada House were advised?—A. The letter was dated November 8; I am not sure of the date that it was actually posted.

Q. Two months after the other arrangements had been made?—A. Yes, but I might say the space that was under consideration in Canada House could not have housed all Canadian government offices including the delegation.

Q. I am only concerned with the accommodation for the delegation. It is a fact that space was rented for them in September and that the principals were not notified of the change of plans until November?—A. Yes, but as I say, it should be borne in mind that if the decision had been taken that we were going to Canada House we still would have been able to use all of the space that had ever been mentioned there, so that this did not mean that a decision had been taken to abandon that property a month before the principals were advised.



*By Mr. Coldwell:*

Q. May we infer that the Canadian Club of New York in giving permission to use the name "Canada House" contemplated going into the building?—A. I am told they were not going to move from their present quarters.

Q. They gave no assurance they would move in if the building were erected?—A. My information is they decided very definitely they would not move.

Mr. SMITH (*Calgary South*): I also received one of those letters and they stated in it, as I recall, that it was really from the business standpoint that those members of the Canadian Club who where, many of them, ex-Canadians, promoted this in the interest of having Canadians, wherever possible, settle for business purposes. I do not think it was ever the intention of the Canadian Club to move from their long-term lease on the top floor of the Waldorf.

*By Mr. Best:*

Q. I believe they felt, among other things, that they would have catering problems in the new building as far as moving the whole Canadian Club over there. Is it not true as well, to lease the lower space of this new building would not be sufficient for Canadian offices and that Webb and Knapp had rented as well space to provide for concerns in the United States—tourist bureaux, for instance, that would be in competition with the Canadian tourist bureau which was considering going in there. I believe that was so.—A. I do not think that they had rented any space to other tourist people. I am not sure of that, but I do not think they had.

Q. I believe they are committed, although not actually renting. I believe that was possibly one problem.

*By Mr. Herridge:*

Q. Would you tell the committee if the government's decision was based on recommendations from the senior officers of your department?—A. The facts were supplied by the officials to the government.

Q. Could you say when the officials commenced to work on those facts?—A. Well, it was in late June or early July that we were first advised by the Canada House people of the possibility of a building going up and blocking out the windows. It was immediately after that that members of the government were informed of the problem.

*By Mr. Knowles (Winnipeg North Centre):*

Q. Did those facts include any information on the financing?—A. No.

*By Miss Aitken:*

Q. My impression last year was that our permanent delegation never did view this building with much approval.—A. They have been anxious to get as close as possible to the United Nations building.

*By Mr. Smith (Calgary South):*

Q. What percentage of our total staff would that be of our New York group of officials?—A. Twenty-five per cent.

Q. And in new quarters there they would be just about as close as they were at the Beekman Tower Hotel offices?—A. Yes, right opposite the United Nations on Third avenue—two blocks.

*By Mr. Crestohl:*

Q. Could you tell us whether the change of plans might involve any Canadians or Canadian corporations there in any financial loss?—A. I have no idea.

*By Mr. Herridge:*

Q. Prior to late June or early July our officials had no information of a building being rented to exclude the light on one side?—A. No.

*By Mr. Knowles (Winnipeg North Centre):*

Q. Would it be fair to assume that the government's decision not to go ahead with the project was based upon factors other than financial?—A. I really cannot say.

Q. I am not a lawyer so I am not trying to put you on the spot, like some of those who tried this morning, but you did say a moment ago you did not include in those facts anything to do with financing, the facts you gave to the government on which they based their decision.—A. I am afraid I must have misunderstood your previous question. We gave all the facts we knew.

Q. But those facts related to the cutting off of light to the amount of space available and to the location in New York and so forth.—A. Yes and also the other factors involved.

Q. It was on that range of facts that the decision was made.—A. I really do not know. As I say, all the aspects were laid before the government. What factors were the determining ones as far as the decision is concerned, I cannot say.

Q. Has the government or your department considered the possibility of the Government of Canada erecting a Canada House in New York?—A. The idea has passed through our minds from time to time over a period of many years but the very large expense always made us draw back from it.

*By Mr. Kucherepa:*

Q. Mr. Crestohl raised a question of whether any industrial applicants to this venture had lost any money as a result of the government's decision. It raised a question in my mind, if that is so, was there any intention on the part of those who originally made any financial arrangements, which indeed seemed to be very vague in this case that we should be subsidizing any of the industrial applicants to this venture?—A. I do not think that that was ever the intention.

Q. I raise that question in view of the question that was raised by Mr. Crestohl, and for that reason, I would think perhaps it might be best for all concerned if we got a comprehensive report of the initial stages of this venture whereby the government suggested that it might go into this arrangement and let us know what the financial arrangements were as they were presented to the government at that time, and then the various reasons why the government did not take up eventually leases of these enterprises and whether it was strictly because of the financing or space requirements or other considerations. I think there are a lot of questions left up in the air as a result of some of the statements which have been made here today, and I think it would be best for all concerned if we had a comprehensive report from the beginning, how this thing was initiated, through whose effort, and what the aim of the enterprise was, and why things have accumulated as they have today. I am sure you can answer a lot of questions which have been raised.—A. I think it is very difficult for me or for any official to advise you of all the factors.

Q. I would say based on the records, your correspondence or files in this case, you cannot go beyond that. Certainly you have files in this regard and

they should be brought in with a comprehensive report.—A. We certainly have pages of memoranda to and from the ministers of the old government and of the new, but I do not think it is appropriate for departmental files to be tabled in a committee.

Q. I am asking that the officials in the department give us a report in connection with the questions which have been raised but which appear to be unanswered.—A. I do not think that officials can appropriately even give you the general tenor of the advice which they have been giving to ministers or the decisions that the ministers have handed back to them, or questions asked them.

Q. Has there been any financial undertaking in the first place?—A. We shall file the letter of intent, which is only a formal document passing between Canada House and the government.

Q. That is, in so far as the government decision at this time is concerned; but how about it originally?—A. This letter of intent was one from the early days when the building was first being erected.

*By Mr. Knowles (Winnipeg North Centre):*

Q. Who signed that letter? Was it Mr. Lawson?—A. No. This letter of intent was signed in the department by an official of the department acting upon instructions.

Q. To whom was it addressed?—A. Probably to Canada House Limited.

*By Mr. Coldwell:*

Q. If an official could produce the kind of memorandum suggested just now, then why not ask the minister to table the documents which would outline the various matters that the committee has in mind? That would be the responsibility of the minister. I can understand an official not being able to do it, but the minister could do it and I think he should do it.

*By Mr. Smith (Calgary South):*

Q. I would like to say that surely Mr. Leger is going to consider whether he has a firm contract or no firm contract for the building with the promoter. Surely a letter of intent from the government to occupy offices—anyone who ever signed an agreement of rental never assumed that the government was going to go in on the basis of a letter of intent alone.

Mr. COLDWELL: It all depends on the contents of the letter.

Mr. SMITH (*Calgary South*): You mean if it is a letter of intent or a contract of agreement?

Mr. COLDWELL: Letters are exchanged which are commitments occasionally; it depends on the wording of the letter, I should think.

Mr. HERRIDGE: Entirely; that would decide the whole issue.

Mr. CANNON: I think it would be idle to discuss the matter without first seeing the letter, and having it tabled.

THE CHAIRMAN: Are there any further questions?

*By Mr. Crestohl:*

Q. At the same time you are exploring this, could you be a little more specific on this point: it appears to me as if Canadian businessmen and Canadian industrialists had undertaken or could have undertaken leases—long term leases—which are commitments, basing themselves on the fact that this will be Canada House, that this will in future be Canada House, the centre of Canadian interests in New York, and it appears to me that if that is now withdrawn, these long lease commitments may create some financial



losses, and these men will be sitting with leases for premises in a building which is not the building which they thought it would be. Therefore I think it would be of some importance to explore that fact to see whether there are such possible losses to Canadian businessmen.—A. I do not see how any information on that subject can be within the knowledge of the department.

*By Mr. Stewart (Winnipeg North):*

Q. In any event, if Canadian businessmen presumably have agreements on the basis of heavy assets coming to it, and in the meantime they are prepared to put up a little money, then nobody is going to lose money in this deal.

The CHAIRMAN: Are there any further questions?

Mr. HERRIDGE: It is understood is it not that the committee is asking the minister if he can give a more colourful view of this question to the committee?

Mr. COLDWELL: You will have to ask the minister.

*By Mr. Cannon:*

Q. Is it also understood that the letter of intent will be produced and will be annexed to the minutes of this meeting?—A. Yes, I have sent for it and when it comes, I shall hand it to the secretary of the committee.

Mr. HERRIDGE: You will ask the minister if he can do it?

The CHAIRMAN: That is right; and in regard to the letter of intent, if it is tabled, it will become part of our record. Is that agreeable?

Agreed.

*By Mr. Knowles (Winnipeg North Centre):*

Q. Will Mr. Matthews be able to obtain it?—A. I expect it will be over here in a few minutes.

Mr. KUCHEREPA: Returning to the question of Canada House, is there anyone who can supply us with answers to these technical questions?

Mr. SMITH (*Calgary South*): I think the name of the firm is Canada House New York Limited.

The WITNESS: That is the name of the company which is building Canada House.

*By Mr. Coldwell:*

Q. It seems odd to me that the Canadian Club in New York could give permission to use the name "Canada House" on this building.—A. I think there are some provisions for the registration of names under United States law, and I think they happened to have registered that name.

Q. It is not a thing that the Canadian Club should do especially when they are not participating in the building or in the use of it!

The CHAIRMAN: Are there any further questions?

Mr. COLDWELL: You would have to put a copyright on it.

Mr. KUCHEREPA: Yes, an international copyright!

Mr. KNOWLES (*Winnipeg North Centre*): There is a town in California named Ontario. Did the government of the province of Ontario agree to the use of that name?

The CHAIRMAN: We are still on item 94. Are there any further questions on that item?

Mr. KNOWLES (*Winnipeg North Centre*): I suggest, Mr. Chairman, that we keep that item open in order to have a statement from the minister, because once we carry this item, we are through.



Mr. COLDWELL: Let the item stand.

Mr. KNOWLES (*Winnipeg North Centre*): We might ask another question of the minister.

The CHAIRMAN: I think it would be appreciated—shall I put it that way—if we could wind up our deliberations and have a meeting of the steering committee on Friday in order to review our report so that I can table it on Saturday. That does not preclude any member asking the minister later on in the house any of these unanswered questions which have to do with policy.

*By Mr. Herridge:*

Q. Could you inform the committee why a negative decision such as this was answered by a senior official when many positive decisions are answered by the government?—A. This was a decision in the administrative field. When Mr. Leger tabled the mimeographed statement that you all have and when he referred to the items for Canada House, he felt it was appropriate to point out that these moneys would not be spent on Canada House. This was not a policy decision in the field of international relations.

Mr. COLDWELL: Did I misunderstand you when you suggested that the steering committee would meet and formulate a report which would be presented to the house?

The CHAIRMAN: Yes.

Mr. COLDWELL: Would it not be first presented to this committee before it was presented to the house?

The CHAIRMAN: Certainly.

Mr. KNOWLES (*Winnipeg North Centre*): I think we would be just as well advised to permit the committee to stay in session for another meeting even if it is held in January after the return of the minister. There are a few questions which we did not conclude with the minister before he went away. No time will be lost. In fact we might save time if matters like this were thrashed out in this committee rather than on the floor of the house.

The CHAIRMAN: But you see, we are dealing with estimates here.

Mr. KNOWLES (*Winnipeg North Centre*): Yes. That is all that has been referred to us.

The CHAIRMAN: Yes.

Mr. KNOWLES (*Winnipeg North Centre*): And if we carry this item 94, then our terms of reference become a nullity.

The CHAIRMAN: I was rather hoping that we would be able to get something concluded before we recess at Christmas.

Mr. KNOWLES (*Winnipeg North Centre*): If that is the case and this committee no longer meets then when the external affairs estimates are being examined in the house we will spend further time on this matter, and other matters, when we could dispose of all these matters here.

Mr. SMITH (*Calgary South*): Is it a fact that we may discuss anything outside of the estimates?

Mr. KNOWLES (*Winnipeg North Centre*): The committee may only discuss matters referred to it and all that has been referred to it is the estimates.

Mr. KUCHEREPA: What are the limitations on the discussions when the estimates are before us?

The CHAIRMAN: As I understand it, and as I have seen it happen in the past, on the general administration item the discussion ranges far and wide.

Mr. KUCHEREPA: Everywhere.

The CHAIRMAN: We have dealt with all the specific items and left item 94 open for further discussion; then, having done that we returned to item 94 today and attempted to clean it up. I believe Mr. Matthews answered every question that was asked of him which was within his field. Now we are at the point where I would like to conclude our deliberations.

In my experience in respect of estimates of every department in the past, some have always been dealt with on the floor of the house and others have been dealt with in the committee. When the departmental estimates come back into the house there are many members of parliament who are not members of the committee who wish to ask questions. That has always been done. I have heard some express the opinion that there was not much advantage in having a committee because when the estimates are referred back into the house we enter into another discussion on administration anyway. This does not stop, as I understand, any members from asking any questions of the minister when the estimates are referred back to the house.

Mr. COLDWELL: Usually, in view of the fact that the members of the external affairs committee are usually placed on that committee by the parties because of their special interest in external affairs, the estimates go through very quickly; there is not much discussion in the house after the external affairs estimates have been before the committee.

Mr. CRESTOHL: I believe there were a number of questions left unanswered by the minister which questions were put to him by members of this committee. If those questions still remain unanswered, I think the minister should give us those answers.

The CHAIRMAN: There was nothing left unanswered. Mr. Matthews came before the committee with the statement of the minister relating to the various questions. Those questions were answered and they were accepted by this committee.

Mr. GARLAND: Is it definite as to when the minister may be back in Canada?

The CHAIRMAN: This Saturday.

Mr. CANNON: I think that this matter relating to Canada House is a very important one and I approve of the suggestion made by the hon. member from the other side to the effect that we should have a report on this subject and I believe the best way to obtain a complete report on the circumstances, and the best way to go into the matter, would be to have the Hon. Ray Lawson, who is behind this whole matter of the Canada House project, called as a witness before this committee. I think that is another reason why we should not adjourn.

Mr. CRESTOHL: Not only should Mr. Lawson appear before this committee but also perhaps the promoters of the building itself, whoever they are, in New York if they are available.

Mr. CANNON: I think it is an exceedingly important matter from the point of view of prestige. I think it certainly should be gone into and that the conduct of the government should be justified if it can be.

Mr. KNOWLES (Winnipeg North Centre): Mr. Chairman, on this same point, it is my recollection that the last time the minister was before us it was understood he would be back again. I do not have all the records here but such as I have would indicate that the minister was before us on Thursday, December 5, and arrangements were made for the meeting he held the next day at which we were told the minister would not be present. At the end of the discussion session on December 5 we were asking a number of questions of the minister

and the last part in the minutes of proceedings and evidence seems to be a statement of mine: "Perhaps we could leave the other questions over to another meeting." It was certainly in my mind that that was not the end as far as the minister was concerned. I think we should have him back even it is in January.

Mr. GARLAND: Mr. Chairman, I think—and it may be improper for me to say so—that the decision to cancel the arrangements to occupy Canada House in New York is a mistake. Personally I would like to pursue the matter a little further.

Mr. CANNON: We must remember that this matter was raised by the Hon. Mr. Ray Lawson when he was Consul General in New York. People will remember that. That is one reason why I think that the change in policy on the part of the Canadian government should be fully explained. I think Mr. Lawson is probably the most competent witness we could have.

Mr. COLDWELL: Mr. Lawson was not acting in his official position as Consul General when he promoted the idea. I was present at the meeting, it was during a reception, when Mr. Lawson was speaking about this.

Mr. BEST: I think he first broached the subject at a Canadian Club meeting in New York and it was as a result of the interest shown after that that it was explored.

Mr. CRESTOHL: Would it be in order for me to move that we extend an invitation to Mr. Lawson and Mr. Zeckendorff to appear before our committee? We should at least extend the invitations so that the entire matter may be brought before our committee. The good name of Canada and Canada House is involved. I think we should have the atmosphere cleared up. It would be very helpful if these two gentlemen would appear before our committee.

Mr. CANNON: I second the motion for the reasons I have already given.

Mr. KNOWLES (*Winnipeg North Centre*): A seconder is not required.

The CHAIRMAN: It has been regularly moved and seconded that we call as witnesses the Hon. Ray Lawson and Mr. Zeckendorff.

Mr. SMITH (*Calgary South*): I am sure the mover of the resolution would include any other persons whom the department might consider should be called if this committee so decides.

Agreed to.

Mr. BEST: It seems to me that the proponents of this scheme in New York approached the former government and were not able to obtain any definite help of a financial nature whatever in respect of their project.

The CHAIRMAN: I as chairman hesitate to comment.

Mr. HERRIDGE: In view of the fact that the committee has decided to hear witnesses, do you not think that any further discussion is out of order?

The CHAIRMAN: A motion to adjourn is in order.

—The committee adjourned to the call of the chair.

## APPENDIX A

OTTAWA, October 19, 1956.

Dear Mr. Carswell,

I hereby give you notice that I have been authorized by the Government of Canada to inform Canada House (New York) Limited of the Government of Canada's intention to lease two floors in Canada House for office purposes at a rental of \$120,000 per annum and a ground floor area of approximately 1,000 square feet fronting Fifth Avenue for the Canadian Travel Bureau and an additional storage space of approximately 500 square feet at a rental of \$36,000 per annum, the lease to be for a period of twenty years.

Yours sincerely,

(SIGNED)

Jules Léger

J. B. Carswell, Esq.,  
67 Yonge Street,  
Toronto, Ontario.





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(HOUSE OF COMMONS

First Session—Twenty-third Parliament

1957-58

Government  
Publications

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STANDING COMMITTEE

ON

# EXTERNAL AFFAIRS

Chairman: H. O. WHITE, Esq.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

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MAIN ESTIMATES OF THE DEPARTMENT OF  
EXTERNAL AFFAIRS—1957-58

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FRIDAY, JANUARY 17, 1958

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WITNESSES

The Honourable Sidney E. Smith, Secretary of State for External Affairs;  
The Honourable Ray Lawson, former Canadian Consul General at New  
York; Mr. William Zeckendorf, President, Webb and Knapp Inc.; Mr. W.  
D. Matthews, Assistant Under-Secretary of State for External Affairs;  
Mr. Alan Field, Chief, Canadian Government Travel Bureau; Mr. F. T.  
Wood, Administrative Assistant to the President, T.C.A.; and Mr. Guy  
Roberge, Government Film Commissioner, National Film Board.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1958

## STANDING COMMITTEE ON EXTERNAL AFFAIRS

*Chairman:* H. O. White, Esq.  
and Messrs.

Aitken (Miss)	Herridge	McGee
Best	Holowach	Morris
Breton	Jones	Nesbitt
Cannon	Knowles ( <i>Winnipeg</i>	Patterson
Cardin	<i>North Centre</i> )	Pearson
Coldwell	Kucherepa	Smith ( <i>Calgary South</i> )
Crestohl	Lennard	Stick
Fairfield	Low	Stewart ( <i>Winnipeg</i>
Garland	MacEachen	<i>North</i> )
Gauthier	Macnaughton	Stuart ( <i>Charlotte</i> )
( <i>Lake St. John</i> )	Macquarrie	Walker—35.
Haidasz	Martin ( <i>Essex East</i> )	
Henderson	McCleave	

J. E. O'Connor,  
*Clerk of Committee,*

## ORDERS OF REFERENCE

FRIDAY, January 10, 1958.

*Ordered*,—That the name of Mr. Nesbitt be substituted for that of Mr. Rea; and

That the name of M. Lennard be substituted for that of Mr. Montgomery, on the said Committee.

WEDNESDAY, January 15, 1958.

*Ordered*,—That the name of Mr. Walker be substituted for that of Mr. Pratt on the said Committee.

Attest.

FRIDAY, January 17, 1958.

*Ordered*,—That the name of Mr. Morris be substituted for that of Mr. Jung on the said Committee.

Attest.

LEON J. RAYMOND,  
*Clerk of the House.*





## MINUTES OF PROCEEDINGS

FRIDAY, January 17, 1958

The Standing Committee on External Affairs met this day at 10.05 a.m. The Chairman, Mr. H. O. White, presided.

*Members present:* Miss Aitken, Messrs. Best, Breton, Cannon, Cardin, Coldwell, Crestohl, Fairfield, Garland, Haidasz, Herridge, Henderson, Holowach, Jones, Knowles (*Winnipeg North Centre*), Kucherepa, Lennard, Macnaughton, Macquarrie, McCleave, McGee, Morris, Patterson, Smith (*Calgary South*), Stewart (*Winnipeg North*), Stick, Stuart (*Charlotte*), Walker, and White.— (29).

In attendance: The Honourable Sidney E. Smith, Secretary of State for External Affairs; the Honourable Ray Lawson, former Lieutenant-Governor of the Province of Ontario and subsequently Canadian Consul General in New York; Mr. William Zeckendorf, President, Webb and Knapp, Inc.; Mr. W. D. Matthews, Assistant Under-Secretary of State for External Affairs; Mr. Alan Field, Chief, Canadian Government Travel Bureau; Mr. Charles Stein, Under-Secretary of State and Deputy Registrar General of Canada; Mr. Guy Roberge, Government Film Commissioner, National Film Board; *from the Department of External Affairs:* Mr. T. P. Malone, Director, Consular Division; Mr. A. D. Ross, Head of Press Office, Mr. J. A. Zoubie, Properties Abroad Section, Supplies and Properties Division; and Mr. F. T. Wood, Administrative Assistant to the President of Trans-Canada Air Lines.

The Chairman called the Committee to order and read the following resolution adopted by the Committee on December 17, 1957:

"Resolved,—That invitations be extended to Messrs. Ray Lawson and William Zeckendorf and any other person or persons who may be able to enlighten the Committee on the 'Canada House' transaction in New York, to appear before our Committee with the necessary documents, records and information so that all the facts in relation to the transaction may be placed before the Committee for examination and study."

The Secretary of State for External Affairs was then called. He made a statement and answered questions on the government's position regarding the proposed leasing of space in Canada House, New York.

At the request of members of the Committee, certain communications were read into the record by Mr. W. D. Matthews who also answered questions.

The Honourable Ray Lawson was called and made a statement concerning the origin of the Canada House project, the selection of site and the project's financing.

The Committee recessed at 11.05 a.m. in order to allow Members to attend the House.

At 12.00 a.m. the Committee again met.

The Hon. Ray Lawson continued his statement and was questioned by members of the Committee.

It was suggested that Mr. J. B. Carswell, Manager, Canada House (New York) Ltd., and Mr. H. G. Norman, formerly Canadian Consul General at New York be invited to appear before the Committee at a subsequent meeting.

Mr. William Zeckendorf was called and made a statement outlining the interest of Webb & Knapp Inc. in the Canada House project. He was then questioned by members of the Committee.

The Chairman and members of the Committee thanked Mr. Zeckendorf for his appearance before the Committee.

It was agreed that the question of whether the letters mentioned by the Hon. Ray Lawson in his testimony should be printed in their entirety in the record be referred to the Sub-committee on Agenda and Procedure.

At 1.45 p.m. the Committee adjourned to meet again at 3.00 p.m.

#### AFTERNOON SITTING

The Standing Committee on External Affairs met at 3.05 p.m. The Chairman, Mr. H. O. White, presided.

*Members present:* Messrs. Best, Cannon, Cardin, Coldwell, Crestohl, Fairfield, Garland, Gauthier (*Lake St. John*), Haidasz, Herridge, Holowach, Knowles (*Winnipeg North Centre*), Kucherepa, Lennard, MacEachen, Macnaughton, Macquarrie, McCleave, McGee, Morris, Nesbitt, Smith (*Calgary South*), Stewart (*Winnipeg North*), Stick, Walker, and White.—(26).

*In attendance:* Same as morning sitting with the exception of Mr. William Zeckendorf who did not attend.

The Committee was called to order by the Chairman and the questioning of the Hon. Ray Lawson continued.

Mr. Lawson's questioning concluded, he was thanked by the Chairman and members of the Committee.

Mr. Alan Field was called and questioned concerning the location and operation of the Canadian Government Travel Bureau in New York and the proposed leasing of space in Canada House. He was thanked by the Chairman and retired.

Mr. F. T. Wood was called and outlined the views of Trans-Canada Air Lines with respect to leasing space in Canada House. He was questioned by members, thanked and retired.

Mr. Guy Roberge was called and made a brief statement concerning the National Film Board.

At 5.45 p.m. the Committee adjourned to meet again at 4.00 p.m. Monday, January 20, 1958.

J. E. O'Connor,  
Clerk of the Committee.

## EVIDENCE

FRIDAY, January 17, 1958.

10:00 A.M.

The CHAIRMAN: Will the meeting come to order. Gentlemen it is just a month ago, on December 17, 1957, that we held our last meeting and, of course, while the Christmas recess intervened and then this week the convention, it was practically impossible to get a date that was satisfactory to all the persons that might be called together before this date.

Now I just want to refer to what is on our agenda this morning. You are all aware of the committee's general order of reference. However, our particular order of reference today is the following resolution adopted unanimously by the committee on December 17 last; resolved that an invitation be extended to Messrs. Ray Lawson and William Zeckendorf and any other person or persons who may enlighten the committee on the Canada House transaction in New York, to appear before our committee with the necessary documents, records and information so that all the facts in relation to the transaction may be placed before the committee for examination and study.

Now, gentlemen before I call our witnesses today, I would like to call on the Secretary of State for External Affairs for a brief statement which was requested by several members at our last meeting on December 17. I believe Mr. Smith has copies of his statement and will distribute them.

Hon. SYDNEY SMITH (*Secretary of State for External Affairs*): Well, Mr. Chairman, the statement I have prepared has been distributed and I think it best that I should stick very close to the manuscript. You use the word "brief", I do not find it anything more than that.

In discussing with the committee the decision of the government not to lease space in Canada House, New York, I propose to mention three separate matters. The first is the background against which the decision to consider taking space in Canada House was made. The second is the relationships between the promoters of Canada House, New York, and the previous government, and the third is the reasons why the present government has decided it would not be desirable to take space in that building.

May I interpolate here. It has been suggested in some sections of the press that this was a decision that was made by the permanent officials. I desire to state this clearly that the permanent officials of not only the Department of External Affairs but all other departments that are related to this question. Put the facts before the ministers and they did not make a decision. The decision is that of the government.

When Canada House, New York, was first proposed towards the end of 1953, the purpose was to establish a centre for Canadian activities in the city of New York. This centre was intended to accommodate not only Canadian government offices but also the offices of major Canadian companies and of United States companies having substantial activities in Canada.

The Canadian aspect of the building was to be emphasized by the manner in which it was to be financed. The equity capital was to be provided by a group of Canadians. It was also understood that when the investment in the building had been paid off, the equity would be offered as a gift to the Canadian government.



This is clear from the files that there was no commitment.

There was no commitment on the part of the promoters to make such an offer and no commitment on the part of the government to accept such an offer if made. However, to emphasize the Canadian aspects of the building, a certain amount of publicity was given by the promoters to their intention to make this offer.

It was also understood that space of a particularly desirable nature would be available to accommodate Canadian government offices in New York in a dignified and convenient manner.

The attitude of the previous government to the proposal put forward along the lines that I have outlined can be found and found best in the statements made by Mr. St. Laurent in the House of Commons on May 28, 1954, which appear in Hansard on page 5228.

I have taken some excerpts from that statement but I invite the members of the committee to look at that page and to see it *in extenso* that these excerpts that I have taken are not out of the text.

Mr. St. Laurent made it clear that he had not entered into any commitments to the sponsors of the plan at the time they were contemplating entering into this scheme. When referring to a conversation he had had with Mr. Lawson, he stated that he said—and this was to Mr. Lawson—"If you have friends who think that a building would be a good thing and would not involve them in any loss, they would have to do it on their own without there being any kind of commitment by the Canadian government." Mr. St. Laurent also stated: "I told him that I could not give any undertaking or any commitment whatsoever and that I would not put it before my colleagues to make any commitment even as to what space they would take; that the promoters would have to take the risk of having desirable space and then offer it when it was available, and if it was desirable and was competitive with respect to rent I felt that the Government at that time, whoever might be in office, would be glad to consider entering into leases". Subsequently, when writing to Mr. Lawson on December 14, 1954, Mr. St. Laurent stated "We might (these words were underlined in the letter) be interested in as much as one-tenth of the space in a building that had about 150,000 square feet." From these quotations, it is obvious that at the time the sponsors announced in April 1955 that a site had been acquired and that the building would be erected there was no commitment of any kind by the government to take space in Canada House, New York. And I refer you, sir and the members of the committee, to the date that this statement was made in the house, in response to question, by Mr. St. Laurent on May 28, 1954.

Mr. MACNAUGHTON: That was at the time of the beginning of the project before the land or the building was acquired.

Mr. SMITH (*Hastings-Frontenac*): From information we have. I will mention that later. On October 19, 1956, a letter expressing an intent to rent space in the building was forwarded by the department to the company but no commitment, even then, was entered into. I should interpolate here that we have sought legal advice from the law officers and they have said there was no contract involved in that letter of intent.

Mr. COLDWELL: Have you a copy of the letter?

Mr. SMITH (*Hastings-Frontenac*): It has already been tabled.

The CHAIRMAN: In Minutes of Proceedings and Evidence No. 9.

Mr. MACNAUGHTON: At page 367. That is the letter of commitment or intent.

Mr. KNOWLES (*Winnipeg North Centre*): Speaking as a lawyer or as a member of parliament?

Mr. SMITH (*Hastings-Frontenac*): Do you wish it read?

Mr. COLDWELL: I just wanted to know whether it was on the record.

Mr. CRESTOHL: This might be a good time to have the letter read.

Mr. SMITH (*Hastings-Frontenac*): This is the letter:

Ottawa, October 19, 1956

Dear Mr. Carswell,

I hereby give you notice that I have been authorized by the government of Canada to inform Canada House (New York) Limited of the government of Canada's intention to lease two floors in Canada House for office purposes at a rental of \$120,000. per annum and a ground floor area of approximately 1,000 square feet fronting Fifth Avenue for the Canadian Travel Bureau and an additional storage space of approximately 500 square feet at a rental of \$36,000. per annum, the lease to be for a period of twenty years.

When the present government took office last June the question whether space should be rented in Canada House, New York, was immediately drawn to its attention as a result of a communication received in the department, dated June 13, advising that windows on the west side of the space being considered might be blocked out by a building on the property owned by the Museum of Modern Art. That would leave one exterior wall with windows.

Mr. COLDWELL: In order that anyone who might pick up this record would be able to follow it intelligently, I think those letters ought to be in the record today following the reference to them. They would not necessarily have to be read in now.

Mr. KUCHEREPA: Read it now.

Mr. SMITH (*Hastings-Frontenac*): There are actually two, and they are quite long.

The CHAIRMAN: Mr. Matthews will read the letters.

**Mr. W. D. Matthews, Assistant Under Secretary of State for External Affairs, called:**

The WITNESS: The letter received was addressed by Mr. Juncker of Cushman & Wakefield, Incorporated, rental agents for Canada House, to Mr. Scott, the Consul General.

June 14, 1957

The Honorable H. A. Scott  
Canadian Consulate General  
620 Fifth Avenue,  
New York, New York

Dear Mr. Scott:

In talking this morning to Mr. Ted Young of Eggers & Higgins, Architects of CANADA HOUSE, I found out that due to this 70 foot building that the museum has indicated that they might build, on what constitutes presently the garden of the museum, the 2nd, 3rd, 4th, 5th and 6th floors would lose their westerly light if this proposed construction on the grounds of the museum materializes.

If you remember in my conversation of yesterday I was under the impression that the 6th floor would not be affected by this situation and in discussing it this morning with the architect, to make absolutely sure of all the facts in the situation, I now have been told that the 6th floor might be affected as well.

In addition to that letter the department had received a telegram from the Consul General dated June 13, in which he referred to a discussion he had had with Mr. Juncker. This is quite a long message. I do not know whether or not you want me to read the whole message into the record.

In referring to the conversation with Mr. Juncker, Mr. Scott said that he, Mr. Juncker, said that Mr. Lawson had received notification a few days ago from the Museum of Modern Art to the effect that they were contemplating building a seventy foot structure which would abut the west side of Canada House blocking the windows from the first to fifth floors. Juncker said there were three possibilities:

(1) that the museum was not actually intending to build but merely wished to protect its future position.

(2) that the museum intended to build a seventy foot building as indicated which would block off up to and including the fifth floor of Canada House.

(3) that the museum could conceivably change its mind and build up to 150 feet. This would be the legal limit since Canada House Inc. owned the air rights above this level. However a 150 ft. building would block out the first ten floors of Canada House. We should add parenthetically that Juncker conceded that he had been unaware that the air rights only began at 150 feet. He had thought they began at ground level as apparently did Mr. Lawson who negotiated this matter with the Rockefeller interests who control the museum property.

There is a good deal more but I think this is the material part.

*By Mr. Coldwell:*

Q. What is the significance of the word "abut"? Does it mean adjoin?—

A. Yes. Canada House was on the lot line and the other would be up to it.

Mr. SMITH (*Hastings-Frontenac*): Up to the height of 150 feet. I understand by the by-laws of New York they have to recess the wall above that.

*By Mr. Macnaughton:*

Q. At the moment they had no intention or they did not contemplate?—

A. Mr. Younger said there were three possibilities. The first possibility was the museum was not intending to build. The second was that the museum was intending to build a 70-foot building. The third was that the museum could conceivably change its mind and build up to 150 feet.

Mr. SMITH (*Hastings-Frontenac*): And we had to look at that in terms of a 20-year lease. The department, on June 25, advised the company that this was considered to be a material change in the nature of the space offered and that the question of taking space would have to be re-examined by the government.

Mr. COLDWELL: Could we have that letter?

Mr. GARLAND: May I suggest that the balance of the other telegram be put in the record?

(Balance of telegram dated June 13, 1957):

In compensation for the 8 windows which would be blocked off on the west side, Juncker indicated that the builders are now planning two extra windows on the western end of the north side.

The conversation then turned to alternative space. Juncker said he could deliver the 11th floor, 6000 sq. ft. gross for \$42,000 and the 12th and 13th tower floors at 4500 sq. ft. gross each at \$30,000 per floor. He said that he would provide us with a plan of all the floors of Canada House together with prices for reference to you as soon as possible.

Juncker's news obviously has implications in terms of the planning which you are now making for the third and fourth floors. There would also appear to be treasury board aspects in the light of the higher



square foot cost of the higher floors. There is also the question of the legal weight of the government's letter of intention in the light of the new circumstances.

My own thinking on the whole question has not yet crystallized. However, I think it would be disastrous to sign a twenty-year lease with the prospect of windows on two sides being blocked out. As the south side facing the church is blocked out already, this would leave only two sides with windows. Second, I feel that in any contemplated move to higher floors we are now in a strong bargaining position.

We understand that a detailed letter of instruction on the lease is on the way from you. We would propose to hold this matter in abeyance pending further word from you.

Scott

The WITNESS: I have here a copy of a telegram from the consulate general:

The following letter, approved by our lawyer, went forward to Juncker today. Begins:

This is in reference to your letter of June 19 last and to another letter of the same date which you addressed to the Supplies and Properties Division of the Department of External Affairs in Ottawa.

I am directed by my government to inform you that they are unable to agree with the suggestion in your communication that a serious view need not be taken of the fact that some of the windows on the westerly side (and we gather, possibly all of the windows on the westerly side of the third and fourth floors) will be blocked off.

I am also instructed to inform you that the whole question is being given consideration in Canada on as urgent a basis as circumstances in Ottawa permit. You may therefore expect a more definite communication on this matter as soon as practicable.

*By Mr. Macnaughton:*

Q. What is the date of that?—A. June 25, 1957.

Mr. SMITH (*Hastings-Frontenac*): May I continue. In this respect, I point out that the proposed space had windows on three sides, the side to the south overlooking the adjoining church being a blank wall occupied by service areas. That was always known. It now became apparent that there might be windows on only two sides up to a height of 150 feet.

When the new government examined this situation, it found the background upon which the original plan had been proposed had greatly changed. No large company or organization having an association with Canada had decided to take any substantial area within the building. As early as March 1955 the Canadian Club of New York had decided not to move from its previous quarters. The government was advised by the consul general in New York in April 1956 that the Canadian National Railways, the Canadian Pacific Railways and other large Canadian companies, the names of two I would add, the Aluminum Company and International Nickel, were not going to take space in the building.

In February 1957 the press announced that the Canadian sponsors of the project had disposed of a 50 per cent interest in the equity in the building to an American firm, Webb and Knapp, Inc.

Mr. KUCHEREPA: What was the price of that transaction?

Mr. SMITH (*Hastings-Frontenac*): All we have is from the press.



Mr. MACNAUGHTON: Did I understand the minister to say that he is basing the statement on press reports?

Mr. SMITH (*Hastings-Frontenac*): We have not anything on our file with respect to the transaction and the financing of the company.

*By Mr. Macnaughton:*

Q. Did the department inquire as to what the true facts were? My point is if it is a serious statement it must be based on fact.

Mr. MATTHEWS: There were discussions between officials and Mr. Carswell. The point that Mr. Smith said could not be answered because we only had press information—that was the nature of the transaction between the sponsors and Webb and Knapp. I mean we had been told that a 50 per cent interest had been acquired by them. What was paid for it did not seem to affect the situation at all.

Q. Could you not have inquired, for example? If it is a true statement of the facts, which obviously we think it is—now I am told you do not know—that you only know what you read in the papers?—A. We had understood that a 50 per cent interest was acquired because we were so told by Mr. Carswell. What was paid to them by others we do not know and we did not inquire.

Mr. SMITH (*Hastings-Frontenac*): That is a matter within the knowledge of Canada House New York Limited.

*By Mr. Henderson:*

Q. There was no letter from Mr. Carswell stating that?—A. No, we never had a report of a conversation on that which arose out of the press reports.

Q. But what you have got is the press report conversation, or the conversation of Mr. Carswell with your department?—A. We have both the press report and a telegraphic report from our consul general on the conversation they had with Mr. Carswell.

*By Mr. Coldwell:*

Q. Have you a copy of that telegraphic report? I think it should be included in the record.—A. I am not sure whether there is one already typed out. We can get one.

Mr. SMITH (*Hastings-Frontenac*): May I continue, Mr. Chairman?

The CHAIRMAN: Mr. Matthews says that the document could be procured.

Mr. MACNAUGHTON: The witnesses are here and they can go into it later.

The WITNESS: It is quite a long message. I do not know whether or not you want it read.

The CHAIRMAN: I think for the satisfaction of the committee you had better read it.

Mr. MATTHEWS: This is a teletype from New York dated March 14, 1957, re Canada House:

From Consulate General, N.Y. March 14/57

To External 852—Important

Reference—Your message 52 March 13.

RE Canada House

Your message was received in the office this morning. A meeting was arranged with Carswell this afternoon Allen and Weld attending.

2. Carswell explained that the Webb and Knapp interest in Canada House arose as follows: In the senior financing The Prudential Life

Insurance Company had agreed to advance \$6,750,000 mortgage money when the building was completed. However it was found that a total of at least \$8,250,000 was needed. To meet the deficit of 1.5 million dollars Mr. Lawson himself loaned \$750,000 and whatever extra might be needed to complete the building in return for a fifty percent equity interest in the building.

3. Carswell explained that before considering the Webb and Knapp participation Mr. Lawson had gone to all twenty-nine original sponsors for extra capital without success. Further Carswell added Lawson had seen the Prime Minister in Toronto about three months ago and had presented to him the financing problem which had arisen. According to Carswell the Prime Minister told Lawson that he (Lawson) should go ahead with whatever financing arrangements seemed practical and that this would not affect the Canadian government's continuing interest in Canada House. Carswell added that the Prime Minister's view was subsequently recorded in the minutes of a board meeting of Canada House limited and that there is no other written record of this understanding.

4. In reply to a query Carswell said that as an equal partner in a joint venture Webb and Knapp would have to approve any proposal to offer the common shares to the Canadian government. As Webb and Knapp had come into Canada House out of commercial rather than patriotic motives Carswell admitted that it was unlikely that they would be prepared to have the shares offered to the Canadian government for nothing. Carswell added however that there was a clause in the agreement between Webb and Knapp and the original sponsors to the effect that the latter could buy out Webb and Knapp's fifty per cent equity, the value to be determined by arbitration.

5. Carswell was glum over Webb and Knapp's obtaining a fifty per cent equity interest when they would probably only have to put out \$750,000 as opposed to the Canadian sponsors \$2,800,000. However he said he did not foresee any difficulty in working with Webb and Knapp in the new joint management project.

Scott

*By Mr. Stewart (Winnipeg North):*

Q. Could I ask one question to clear one point in mind? Mr. Matthews said that Mr. Lawson was going to put up one and a half million dollars, for which he would get a 50 per cent equity.—A. \$750,000, I think it was.

Q. And he would get 50 per cent equity in the whole show?—A. That is what this report said, but we only have this from this one conversation. I think the witnesses later today can explain what the financial transactions were between Webb and Knapp and Mr. Lawson.

*By Mr. Crestohl:*

Q. Is it a hypothetical conclusion you draw or did you base the statement on some facts that Webb and Knapp were interested in this matter purely commercially and not motivated by patriotism?—A. That was the assumption that was made in the conversation between the consul general and Mr. Carswell, that the consul general reported to Ottawa.

Q. Purely an assumption?—A. I would have to re-read the text of the telegram.

Mr. STEWART (Winnipeg North): We have witnesses here. We should file this report.

The CHAIRMAN: Gentlemen, along that line, when other witnesses are called they can answer these questions more completely because of their full knowledge of the facts.

Mr. SMITH (*Hastings-Frontenac*): That is what I had in mind when I said we have not any facts other than what we found in the newspapers, and there is nothing of the price and that sort of thing except this communication with respect to a conversation.

In discussion with an official of the company and with Mr. Carswell, it was made clear that this change in ownership would affect the intention of the original sponsors to offer the equity in the building to the Canadian government after all costs had been repaid.

As a result of these changes, the Canadian atmosphere of the whole project had been lost and the matter could only be looked at as a commercial proposition. In our opinion, the possibility of having windows on only two sides of the building made the space less desirable than that at present occupied by the consulate general in Rockefeller Centre.

It had originally been decided that in order to obtain space in a predominantly Canadian building it would be worth paying the somewhat higher rentals payable in a completely modern and new building than those that prevailed in Rockefeller Centre. The cost for the 3rd and 4th floors of Canada House containing a useable area of approximately 17,300 square feet would be \$120,000 per annum and the cost of the ground floor area under consideration for the Travel Bureau would be \$36,000 per annum. In addition, the government would have to bear the cost of partitioning which was originally estimated at \$100,000 but which estimates were subsequently increased to approximately \$200,000.

That would be amortized as part of the rental for the year, added to the rent.

The space occupied by Canadian government offices other than the offices of the Permanent Mission to the United Nations and the Travel Bureau at present amounts to 11,424 square feet of useable space and the rental is \$75,232 per annum. This present space is not adequate but it is expected that in the not too distant future additional adjoining space amounting to 3,034 square feet will be available at a cost of slightly under \$20,000 per annum; that is in Rockefeller Centre. The space occupied by the Travel Bureau costs \$19,597 per annum. Therefore the space in Canada House would have cost \$156,000 per annum plus the expense of partitioning while the alternative space in Rockefeller Centre, including additional space that may be taken will cost only \$115,000 per annum. It is not the same in size. I do not wish to create that impression but it would be adequate. I desire to make that clear and to be fair about this, that these are not comparable unit prices, having regard to comparable areas that would be satisfactory, and we have to place the \$115,000 per annum against the \$156,000 per annum.

The government did not consider it would be justified in incurring the substantial extra expenditure for space that did not appear to be better than if even as good as that in Rockefeller Centre.

A suggestion was made on June 27, 1957, that the government could consider some of the higher floors in Canada House which would not be obstructed by any building erected on the property to the west. This proposal did not appear to be satisfactory for several reasons. Canada House suggested the 7th, 8th and 9th floors which were above the height of the building which they advised us was "tentatively" planned by the Museum of Modern Art. However, these floors were well below the height of 150 feet to which the museum was entitled to build. It did not appear to be reasonable to lease this space for a twenty year period as during that period the "tentative" plans might well be revised. The so-called tower floors contained a gross area of approximately



4,500 square feet each, of which the useable area after deducting corridors, etc., would be under 4,000 square feet. These are the only floors above the level to which an adjoining building can be erected. Therefore, to obtain adequate space for Canadian government offices, other than that of the permanent mission to the United Nations, would require four floors which obviously would not be as efficient or convenient an office as one less widely distributed. A further difficulty arises from the fact that rentals per square foot in the higher floors in the building were materially higher than those on the floors originally under consideration. That is, in the top.

An additional difficulty would result from the time required to negotiate leases for this alternative premises, to design floor lay-out and internal communication and to complete the necessary construction to permit occupancy by the time our lease in Rockefeller Centre expires on April 30. It appeared doubtful whether it would be possible to complete this work in time as Canada House had already advised us that unless partitioning according to plans already completed for the lower floors was undertaken immediately, even there we might be too late. We would have to get out of the Rockefeller Centre. Where would we go if we could not go into Canada House? Our lease in Rockefeller Centre expires on April 30.

For these reasons, we did not follow up the suggestion that we consider alternative space higher up in the building.

At earlier sessions of this committee, questions were asked concerning the accommodation rented on Third Avenue for the Office of the permanent mission to the United Nations. I desire to make a short statement concerning that space.

About one year ago the Canadian mission to the United Nations pointed out to the department that their operations would be greatly simplified, particularly at the time of the United Nations assemblies, if office space were available within easy walking distance from the United Nations buildings. As some of you are aware, it has been necessary for the department to rent at considerable cost temporary office space in a hotel near the United Nations buildings for each assembly. These improvised offices are not satisfactory and are expensive.

That is about five minutes walk, I would think, from the U.N. building.

For the information of the committee, may I just speak on the accommodation for meetings in the United Nations building. The architects did not design small offices, or small conference rooms for delegates. The only way you can have conversations with a group of representatives from another nation is to go into one of the public galleries. It is desirable from time to time during the day to get your delegation together and discuss matters with them. I am very clear about this; you must have office space nearby, and it has to be within walking distance.

I continue with the statement;

On the basis of these representations from the permanent mission and upon the need of increasing space for Canadian government offices becoming apparent, the previous government decided in April 1957 that the mission should look for separate quarters. I think the mission was contemplated in the original discussions for Canada House. A lease for such quarters was finally signed on October 30, 1957 for 6,660 square feet of space at an annual cost of \$38,895. This space is in an area most desirable for the mission and can be used during sessions of the assembly. However, it is not in an area considered suitable for the other Canadian government offices. The space previously occupied by the permanent mission in Rockefeller Centre will be surrendered when the new space becomes available. When the new space becomes available in May.

Mr. MACNAUGHTON: Could you give us the address of the space?



Mr. SMITH (*Hastings-Frontenac*): 750 Third Avenue.

Mr. MONTGOMERY: Where would that be?

Mr. SMITH (*Hastings-Frontenac*): It is within five minutes walking distance of the U.N. building.

Mr. MACNAUGHTON: What kind of a building is it?

Mr. SMITH (*Hastings-Frontenac*): It is an office building.

Mr. MACNAUGHTON: It is an office building, a new one?

Mr. SMITH (*Hastings-Frontenac*): Yes, it is a new one.

Mr. LENNARD: It is under construction.

Mr. SMITH (*Hastings-Frontenac*): Other United Nations missions are going in there. The Australians, for example, are taking space. It is felt admirable for this purpose.

Mr. CANNON: Mr. Chairman, could we have the cost of the rental of this space in the hotel that was used and is used now, I think?

Mr. SMITH (*Hastings-Frontenac*): That is in the Beekman Towers.

*By Mr. Cannon:*

Q. It is near the United Nations building?

Mr. MATTHEWS: During the last general assembly the space we rented in the hotel cost us \$1,316 per week. That space has to be rented during each general assembly for a period of 12 weeks and up. Working it out at 12 weeks it would be \$15,790.

Q. That amount would have to be added to the \$115,000 mentioned on page nine of the report that you are reading, so as to make a fair comparison?—A. No, the decision was taken by the previous government in April of last year that we should, in addition to the two floors we were considering for Canada House, get separate space near the United Nations building for the U.N. delegation. On both sides of the comparison we were omitting space for the delegation.

Q. The U.N. delegate was not going to have an office in Canada House?—A. Originally that had been planned, but in April the government decided that they should have extra space. They considered that what had been contemplated in Canada House was not enough for all of them. Therefore it was considered wise to acquire space which was more convenient to the United Nations building for the purposes of the delegation. So neither side of the comparison of \$150-odd thousand and \$115,000 includes the space for the United Nations delegation.

Mr. CRESTOHL: In view of the fact that the House of Commons is sitting this morning and this afternoon, and today being Friday, I would suggest that we try, for the convenience of the witnesses that we have brought here, to have them heard as soon as possible. They may not stay over, and we will not be able to hear them. However, I am not sure, they may stay over.

The CHAIRMAN: Gentlemen, it will be the decision of the committee as to when we will sit again.

*By Mr. Garland:*

Q. I just wonder if Mr. Matthews might clarify one point. You mentioned a figure of \$1,000-odd per week for rent?—A. Yes.

Q. That was for space in the Beekman Towers?—A. Yes.

Q. Is that space for administration offices only?—A. That was for offices only. That did not include living accommodation for the delegates.

Q. That is what I wanted to know. There would be arrangements for people living there as well?—A. Yes.

Mr. MACNAUGHTON: Mr. Chairman, would the minister tell the committee if in fact a lease has been entered into by the Canadian government with the proprietors of Rockefeller Centre?

Mr. SMITH (*Hastings-Frontenac*): No lease has actually been executed as yet, but we have made a commitment. No lease has actually been executed.

Mr. MACNAUGHTON: Could the minister tell us whether the province of Ontario has leased space in the new Canada House?

Mr. SMITH (*Hastings-Frontenac*): I do not know.

Mr. MACNAUGHTON: Do you know if they have any intention of moving in there?

Mr. SMITH (*Hastings-Frontenac*): I have not heard anything with respect to the intention of the Ontario government.

Mr. MACNAUGHTON: Do I understand that it is the opinion of the government that this letter of intent is not legally binding?

Mr. SMITH (*Hastings-Frontenac*): Yes. We have been advised in respect of that by law offices of the crown.

Mr. MACNAUGHTON: May I refer to the actual letter of October 19, 1956.

I hereby give you notice that I have been authorized by the government of Canada to inform Canada House (New York) Limited of the government of Canada's intention to lease two floors in Canada House  
.....for a period of twenty years.

Letters of intent, I recall during the war, were acted upon by Canadian firms. Of course, that was the way we got things done, but it was considered a legal and moral obligation. Even the uranium mining development proceeded on letters of intent. Is this a new attitude of the present government?

Mr. SMITH (*Hastings-Frontenac*): All I can say is—to repeat what I have stated—that we have been advised that it is not binding.

Mr. JONES: Mr. Chairman, it is my suggestion, sir, that while perhaps we can examine the legality of this, no final decision can be reached by a committee such as this regarding the legality. My own impression of the letter is that it does not commit the government to take any particular course of action. I do not think it need be pursued further unless it be referred, by the committee, for further legal opinion.

Mr. GARLAND: I might suggest, Mr. Chairman, that we hear the witnesses.

The CHAIRMAN: Gentlemen, we will now call the Honourable Ray Lawson.

Mr. GARLAND: Mr. Speaker, it is understood that the Minister of External Affairs will still be with us.

The CHAIRMAN: That is what we are trying to establish now.

Mr. MACNAUGHTON: We are not through with him yet.

Mr. KNOWLES (*Winnipeg North Centre*): No.

The Honourable Ray Lawson, former Lieutenant-Governor of the Province of Ontario and subsequently Canadian Consul General, New York, called.

The CHAIRMAN: Be seated, Mr. Lawson.

The WITNESS: Mr. Chairman, Mr. Minister, gentlemen, Miss Aitken, and any other ladies who are present, when I received the letter of invitation to appear here today I was out of the country. I have not been able to get to my home in Oakville, to go through my files. Unfortunately, or fortunately, I have certain information with me, and my memory is reasonably good.

I have prepared a short brief in which I have tried to keep the points in sequence. I hope you will bear with me for probably ten minutes.

The idea of a Canada House in New York, came to me forcibly soon after I arrived in New York.

I realized that our government offices, Canadian business concerns, Canadian transportation offices, and Canadian organizations of all kinds, were too widely scattered on Manhattan island. There was no focal point—no one place where a business man from any place in the world, or tourist, could go to find all, or most of the answers or contacts that he needed, and I felt that someone should endeavour to do something about it.

Therefore, when I was invited to be the guest speaker at the 50th anniversary dinner of the Canadian Club of New York, I used this opportunity to suggest a drive for a Canada House.

Here was an audience representing a cross section of men some of whom had Canadian business interests already well established in New York.

In my address I suggested that Canada House could be a New York landmark known to every policeman from the Bronx to Brooklyn, and a building that would be known to every street corner newsboy in Manhattan. It would become a symbol of Canada in New York. I also pointed out that by co-operating in this way, the Canadian government, and Canadian industry might erect a modern air-conditioned building, which could be ideal for the needs of all.

Immediately after my address, and in fact for many months after, I had pressure from various sources urging me not to let the Canada House idea drop.

Canadian newspapers from coast to coast expressed enthusiasm for the project both in news items and in editorials. Indeed it was one of these newspapers which suggested that, since Canada had been developed by free enterprise, why not approach this great Canadian building with the same spirit. (I have some clippings available.) St. John, Montreal, Ottawa, Toronto, London, Windsor, Calgary, etc.

*By Mr. Stewart (Winnipeg North):*

Q. Was it because you were a believer in free enterprise that you approached the government for some help?—A. I did not think of the procedure. I do not know why I did it.

Q. Do you not believe that free enterprise depends on the government for success?—A. I avoid that procedure.

My next move was to discuss this project with the Canadian government authorities, with the idea of it being built by the government. The reply was to the effect that the government had large building programs in Canada and it was their opinion that buildings in Canada should not be postponed in order to go ahead with a project of this kind outside of Canada. Also Ottawa felt that it would not be advisable for them to set up a committee of volunteers to help in a matter of this kind.

*By Mr. Knowles (Winnipeg North Centre):*

Q. Would Mr. Lawson please be more specific in stating from whom he received the reply at Ottawa?—A. I might say it was the Prime Minister.

However, Ottawa did say that they would be very happy if I took the initiative of setting up a committee and if the members of that committee and others that might be interested would go ahead with the project of a Canada House in New York to provide space for the government offices and also that arrangements should be made available so that adjoining space could be had as departments of the Canadian government might require it, and to also make space available for others.

Ottawa did not agree that the government as such would take the junior equity in the project at this time, but they did say that events would be very



apt to demonstrate that if others invested in this project they would be doing something that would not cost them anything but the use of their prestige and credit and at the same time something which would ultimately be of substantial benefit to Canada.

*By Mr. Crestohl:*

Q. Do you consider that patriotic?—A. Exactly. That is the only reason I went into it.

When the time came to definitely consider a suitable location the sponsors decided that if possible a Canada House should be built north of 45th Street and south of 58th Street.

Further it was thought advisable to secure a property on Fifth avenue if at all possible. But if not on Fifth it should be on Park avenue. We looked at that property that the United Nations had assembled in on 3rd avenue and decided against it.

We went over many available properties but learned that most were leaseholds and it was most difficult to get a freehold. After examining many locations we were advised by some leading New Yorkers to consult with Mr. William Zeckendorf who had previously stated to us that he would be glad to give any assistance without remuneration.

It just happened at the same time he, Mr. Zeckendorf, was then considering extending his interests to Canada and would be glad to do all in his power to help in our project. He advised us strongly to locate Canada House on Fifth avenue where millions of people from all parts of the world would pass it.

Mr. Zeckendorf suggested a couple of properties that we looked at but we did not think them as suitable as the property on the corner of Fifth and 54th. The old building on this property belonged to a realtor who had already prepared plans for a new office building and he advised us that the property was not on the market, again we talked with Mr. Zeckendorf and he said that if that was our choice he would see if he could get a price on it. Mr. Zeckendorf then personally approached the owners and did get a price with an option for a few days. The committee of the sponsors then discussed the question and decided that in their opinion this was the best freehold property that was available and after consulting with Ottawa the property was purchased. Again I say that Mr. Zeckendorf and his company gave his service without any remuneration.

I might also state at this time that the 54th street location that we purchased has eastbound traffic which, of course, was a must both for the convenience of our United Nations delegation and also for traffic to the airports and to the Grand Central Station.

The next step was to have the existing buildings examined to see if it was practical to remodel and enlarge them or demolish them and erect an entire new structure.

The decision was that as this was to advertise Canada that we should do a thorough job and erect an entirely new building to give prestige and publicity to Canada.

*By Mr. Walker:*

Q. Did you do this in your capacity as a private citizen or as the consul-general?—A. In my personal capacity. It is a habit of mine. I generally rise early in the morning around eight o'clock and after breakfast I take walks around the streets and I know almost every inch of that property.

Q. But you did occupy the position of consul-general at the time?—A. Yes I made a trip to Montreal to talk it over with some people there. I said this is "Declaration Day" in New York and I happened to be up here on a holiday.



*By Mr. Macnaughton:*

Q. I take it you were working overtime?—A. No, it was a vacation.

There seems to be some question re the light, but all know that we were building to a party line and any person who has done any construction either in Canada or in the United States realizes that no windows are made in the wall of a party line. (See letter from our manager, Mr. Carswell).

I would like to give you a few extracts from letters from Ottawa.

We appreciate the importance of such an undertaking to Canada not only because of its publicity value, but also because it will facilitate Canadian activities in New York.

*By Mr. Smith (Calgary South):*

Q. What letters are these?—A. I have these letters with me.

Q. May we have them read into the record?—A. These were personal letters. They were not marked "confidential", but they were written by the Prime Minister and I do not think that they should be published. I will come to them in a minute.

The location, the size, the type of buildings are matters that might appropriately be left for a decision by the sponsors and to yourself. The government would enter into a long term lease at competitive rates and even have the rental subject to adjustment say every five years. We appreciate your suggestion that the sponsors would be willing to discuss the details of the building with a representative of the Department of Public Works, we feel that if this were done the discussions should be restricted to the type of accommodation that might be required by the government in order to avoid the impression of a greater concern with the whole project, than the government is prepared to accept.

As late as November, 1956, I discussed the financing with Ottawa and explained in some detail that owing to a strike in the steel industry, as well as other delays and increased costs and extras on the building, along with the tightness of money and that we were having some difficulties. The statement was again made that any arrangements made re financing that had the approval of the majority of the sponsors would be satisfactory. Further, a statement was made that the government had no rights other than their contractual rights to secure occupancy of the space, and that adjoining space would be made available to them at such time as departments of the government might require it.

This outstanding building, as many of you know, is located immediately north of the famous St. Thomas' Episcopal Church and is directly across the road from the University Club. It is less than 1000 feet from St. Patrick's Cathedral, Saks Fifth Avenue and Tiffany's, and about one mile or 15 minutes walk from the United Nations.

When the property was purchased, we were assured that there were no restrictions in building on this property that were not on other properties in this area and we have no reason at this time to believe otherwise.

The architecture of the new building has brought many letters of congratulations among which is one from the rector of St. Thomas Church and one from the president of Saks Fifth avenue.

At no time did I say publicly or privately that the building would be occupied exclusively by Canadian companies, but I did say that space would be made available to them if they wished to occupy it.

I am told that each of my predecessors advocated or petitioned Ottawa to build or buy a building in New York to be known as Canada House.

When the sponsors offered the government the junior equity at such time as the debentures were retired, the reply was that if at the time the liabilities were liquidated, the sponsors then cared to offer the building to the government at that time it would be for a decision by the government of the day.

The sponsors had never any idea of profit, they felt this Canada House would be such a great advertisement for our country; and they felt that if they eventually had their money returned plus a small interest, they would have had the satisfaction of having done something for Canada. Their sole idea was in the nature of a public service.

If they had not thought it would be beneficial for our country, they would never have been a party to it. They certainly never associated themselves with this undertaking just to make an investment in New York real estate.

From the beginning, the whole project was looked on by the sponsors as a partnership. They, the sponsors, were to select a location, erect a building and look after the financing and the Canadian government was to be the prime tenant.

The sponsors have completed their part of the agreement.

United States is Canada's largest customer, United States is Canada's neighbour and we naturally want them to purchase more of our products, and we want them to appreciate Canada's importance. Surely a manufacturer's space or an exhibition booth on Fifth avenue where thousands of potential customers see it daily, is much preferable to one in a basement where the larger number of those who see it are employees in the building.

In this brief, I have sometimes used plural rather than singular as letters indicate that two or more of the cabinet ministers were familiar with the contents.

Letters that I received were of a personal nature but were not marked confidential.

At this time I would prefer that the letters were not published. But if this committee wish to appoint one of their number to confer with me I shall be pleased to let him see them.

If I remember correctly our former Prime Minister stated in committee to the present Prime Minister that he would show him his file on the subject.

To sum up:

The idea of the Canada House in New York had the approval and blessing of the government that was then in office or the sponsors would certainly not have had anything to do with it.

The suggested names of the probable sponsors had full approval.

The head of the government said; "I would be very happy if you took the initiative of setting up such a committee. I think the location, the size and the type of building are matters that might be left for the decision of the sponsors."

I do not believe there is a man in this room who would not have done exactly as I did if he had received a statement like that from the elected head of the country.

Further, the trust company was not to feel under any obligation to hold the shares in trust for the government but were quite free to do with the shares whatever the sponsors felt it was proper for them to do in order to assure the completion of the project.

Now, lady and gentlemen, I wish to congratulate some of the members of this committee for the knowledge that they already have of this subject. Here are a few points that I would like to clear. There are 26 Canadian sponsors.

Mr. KNOWLES (*Winnipeg North Centre*): Had we not better decide what our plans are? That is the second bell.

The WITNESS: I came two thousand miles to this meeting. Gentlemen, if you want a meeting, all right. I did not come to sell you on this, I came to give you the facts.

Mr. KNOWLES (*Winnipeg North Centre*): I do not think those remarks are called for. The House of Commons is meeting and we are patriotic Canadians too.

The CHAIRMAN: Gentlemen, I think we are in the Committee's hands. If you wish to adjourn for say an hour until orders of the day are over, we will resume at 12 o'clock.

Agreed.

Recess.

The CHAIRMAN: If the committee will come to order we will proceed.

In the hour which has just elapsed I considered it might be advisable to hear the rest of Mr. Lawson's statement now, then Mr. Zeckendorf's statement. Then we would have the statement of Mr. Smith, Mr. Lawson and Mr. Zeckendorf on record and it would give us a fairly complete picture. There may be questions which you would like to ask. I do not wish to push the committee around at all, but it might facilitate the procedure of the committee if we carried on in this way.

Mr. MACNAUGHTON: Is Mr. Carswell in Ottawa? His name has been mentioned, and also Mr. Norman who succeeded Mr. Lawson. It might be interesting to get all the facts and to hear their views.

Mr. SMITH (*Calgary South*): Mr. Lawson stated he preferred not to show us the letters or statements to which he referred, or the correspondence with the government which we assume to mean the former prime minister. Should we not have Mr. St. Laurent here as well or have a look at the letters?

The CHAIRMAN: It can be arranged.

Mr. MACNAUGHTON: Then, in that case, we might as well bring the whole cabinet.

Mr. SMITH (*Calgary South*): These are important letters and were apparently written before the commitments were made by the former government, and I think we should substantiate that.

Mr. CARDIN: My understanding is that Mr. Lawson was ready to show the letters to one or two of the members of the committee.

The CHAIRMAN: I want to say this to the committee. I think when Mr. Smith gave his statement as each reference was made to a letter or a document we tried to provide that that letter or document would be read into the record. I think that is fair. Consequently I would rather think that we would expect the same of any other statements that are made to this committee.

The WITNESS: I started out by saying I wish to congratulate some of the members of the committee for the knowledge which they already have of the project. However, there are a few points which I wish to make clear.

The sponsors were 26 Canadians and 2 citizens of the United States. One of the citizens of the United States has a house in Toronto and has extensive Canadian interests. The other is a former Canadian who has acquired large interests in the United States and is now looking for investments in Canada. Some members of this committee seem to have the idea that this is a money making proposal. That is the last idea which any of the sponsors ever had. There was no question of profiting by it; they all wanted to do something for the good of Canada. Most of them hoped, and expected, a return only of the capital with a possible small interest return under the bank rate.

Some reference in this committee has been made to it as being a capital investment. I talked to each one of the sponsors individually in a personal way



and some of them may have turned it over to their companies; I do not know. I do know many of them considered it a personal matter and it was solely for the benefit of Canada. One of the sponsors approached me saying he was anxious to join with us in something that would be for the good of all Canada as Canada has been good to him.

If the government persists in not cooperating and rescinds the agreement as well as the letter of intent it will certainly tend to discourage further patriotic offers or efforts. Someone has stated that the government has no legal liability but with all business negotiations which I have had during my lifetime, a moral obligation in business has been considered a definite responsibility and equally as binding as any legal liability.

*By Mr. Walker:*

Q. I take it that you admit this letter of intent has no legal obligation on the government?—A. I understand you cannot sue the government.

Q. Aside from that, you are speaking of it now as a moral obligation and not as a legal obligation?—A. Absolutely.

Q. So there is no legal obligation?

Mr. CRESTOHL: That is not so.

*By Mr. Walker:*

Q. What other reference is there to the government insisting on rescinding?—A. These letters of good will.

Q. These is nothing outstanding. You spoke of rescinding agreements and the letter of intent.—A. The letter of intent cancelling the letters of agreement.

Q. There are no letters of agreement?—A. I said I had some correspondence here.

Q. You must produce it. It is a very serious allegation to make.—A. I would like very much, if you would select two or three of your number here, to go over the files I have and the letters with them.

Q. It is most important that you should not make any misstatement. There are no agreements rescinded by the government. All you have to work on is what you call a moral letter of intent.

*By Mr. Cannon:*

Q. Is it not a fact that this letter of intent which appeared in *Hansard* at page 367 is an offer made by the government to the Secretary of State for External Affairs, a definite offer with all the necessary conditions in it including area, place and time, and that that offer might have been accepted and it might with that acceptance have been a legal obligation of the government.—A. I considered it so. During the war years there were many letters of intent. I know of people who purchased securities in the uranium mines, both bonds and stocks, on letters of intent only. The bond houses finance these uranium mines in Canada on letters of intent.

Q. That letter of intent might have been accepted by a note at any time and it would have become binding on the government and on the persons concerned?—A. I certainly considered it so.

Mr. WALKER: I assume my friend is not a lawyer.

*By Mr. Stewart (Winnipeg North):*

Q. I think it is very important to know the status of these letters which have been referred to. If the Prime Minister wrote to Mr. Lawson in Mr. Lawson's capacity as Consul General then these documents are privileged and Mr. Lawson should not quote from them, but if these letters were written to



Mr. Lawson as a private individual then these documents are not privileged.—A. Different people who came to New York would sometimes come to my apartment and we would speak about Canada House. As you know, the press from coast to coast took up this proposal. People coming to New York would speak to me about it. I would read two or three sentences from these letters to them.

Mr. KUCHEREPA: At page 5228 of *Hansard* for 1954 the Prime Minister said:

I could not give any undertaking or any commitment whatsoever and that I would not put it before my colleagues to make any commitment even as to what space they would take; that the promoters would have to take the risk of having desirable space and then offering it when it was available, and that if it was desirable and was competitive with respect to rent I felt that the government at that time, whoever might be in office, would be glad to consider entering into leases.

Mr. MACNAUGHTON: That was in 1954.

Mr. KUCHEREPA: It is a statement by the former Prime Minister in the House of Commons. We hear today that there have been certain agreements. I would like to see those agreements.

*By Mr. Walker:*

Q. Mr. Lawson agrees there have been no agreements that have been rescinded. All he relies on is a letter of intent and a moral obligation.—A. That letter of intent did not come until after these twenty-eight people put up \$100,000 apiece.

Q. The original plan was that you were going to turn over the building to the government and you changed that by selling a half interest to American financiers.

Mr. MACNAUGHTON: That is your statement.

Mr. WALKER: It is a fact.

The CHAIRMAN: Mr. Lawson is going to proceed with his statement.

The WITNESS: If this letter of intent is cancelled in my opinion it will be a permanent blot on the integrity of Canada. I have been in various parts of the United States during the past few weeks and have been made aware of a sense of chagrin, disappointment and mystification on the part of Americans at high level at this turn of events. There appears to be in evidence a general feeling that perhaps this present indicated policy of our government is indicative of a weakening in the mutual feeling of unity and cooperation.

As a matter of fact the implications involved, I am sorry to say, are not lost on some of our enemies abroad.

*By Mr. Kucherepa:*

Q. Why did the Canadian Club, as early as March, 1955, withdraw from any participation in this plan when they were so energetically in favour of it at the beginning?—A. because of change of presidents. There were four or five different presidents of the Canadian Club in three or four years. The president who was there when I proposed it was most enthusiastic. The next one was enthusiastic, but he became ill, went to hospital and died.

*By Mr. Walker:*

Q. Is it not true that this was a noble dream but it did not work out? The C.P.R. dropped out.—A. They were never in.

Q. They refused to come in?—A. That is right.

Q. The Canadian National Railways would not come in?—A. That is right.

Q. The T.C.A. refused to go ahead?—A. Not unless the government came in. T.C.A. would come in if the government would.

Q. T.C.A. did not go in and they told you they would not?—A. Yes.

Q. The Aluminum Company of Canada would not come in?—A. No.

Q. You hoped they would?—A. Yes.

Q. And the International Nickel Company?—A. That is right.

Q. And the travel bureau could not come in because it is situated in the heart of the travel centre of America, which is Rockefeller Centre. You would not expect them to move to where you were?—A. In order to have a place where millions of people pass by during the year rather than where they are now on Fifty-Third Street, yes, I would certainly think so.

Mr. MACNAUGHTON: Who is making this statement? Is it the witness?

*By Mr. Walker:*

Q. Now, Mr. Lawson, since the letter of intent which was last fall you have changed the whole complexion of this enterprise by failing to get these Canadian businesses to go in there in the first place. That is correct, is it not? You only have four at the present time—four large ones?

Mr. MACNAUGHTON: I object. These are not questions. Why do you not ask questions, instead of making speeches?

*By Mr. Walker:*

Q. These are questions. I ask you; is that right?—A. The Ontario government are very anxious to come in and have committed themselves, whether the federal government come in or not.

Q. Is that correct? I suggest to you that there is no committal at all. You have nothing from the Ontario government, and you know that.—A. I had a conversation with the Premier the night before last.

Q. Do you call that a committal?—A. I do, definitely.

Q. A pleasant conversation, at tea, no doubt, but certainly you have nothing in writing from the government; you are relying on a conversation.—A. On Mr. Frost's conversation who stated that they had committed themselves and will go in; and he said I was quite free to tell the people in Ottawa that.

Q. That he would go in?—A. Yes. That happened Wednesday night.

Q. But you have no agreement, and no letter of intent?—A. No.

Q. Nothing. Just a statement that you say you have from the Premier?—A. I sent a wire to Mr. O'Connor, the clerk, suggesting that he ask Mr. Carswell, the manager, who is familiar with all the details, and has been right through; also Mr. Harry Norman who was my successor in New York. I left New York very suddenly. Mr. Norman came in after and he followed up and I know he was very enthusiastic about Canada House.

*By Mr. Crestohl:*

Q. Do you think they can throw any light on the subject?—A. I think they can give a lot of details under questioning. I left New York in a hurry and I was out of circulation for many months during the year and lost some of the contacts. This man followed through and I want you to have all the changes. I only just received notice of this meeting when I was at my house in Florida. I did not have my files and I tried to note certain things from memory.

Q. I would move that both Mr. Carswell and Mr. Norman be invited to appear before the committee with all the correspondence and detailed information to which you refer.

Mr. MACNAUGHTON: I second that.

The CHAIRMAN: It has been regularly moved and seconded that Mr. Carswell and Mr. Norman be summoned before this committee.

Mr. CRESTOHL: And to bring with them all necessary documents, and so on.

The WITNESS: Mr. Norman followed right through after I left New York.

Mr. WALKER: Then, Mr. Lawson—

The CHAIRMAN: There is a motion before the committee.

Mr. COLDWELL: Did I understand they had been “invited” or “summoned”?

Mr. CRESTOHL: I do not know whether we have the right to summon them. They are Americans.

Mr. KUCHEREPA: Speaking to the motion, I suggest the motion passed at the last committee meeting would cover this point entirely.

Mr. MACNAUGHTON: Let the names be added to it.

The CHAIRMAN: Is it agreeable that the names be added to the resolution?

Mr. CRESTOHL: That will be agreeable.

Mr. COLDWELL: The former resolution was that we summon Mr. Lawson.

The CHAIRMAN: No, invite.

*By Mr. Crestohl:*

Q. In the former resolution we summoned Mr. Zeckendorf and Mr. Lawson and any other persons who might be of interest to the committee.—A. In the committee the question was asked: is any person going to lose money on the project if the government do not move into Canada House? My reply is that the 28 sponsors knowing they had the blessing of Ottawa, knew of the correspondence and the letter of intent when they agreed to their loan.

*By Mr. Smith (Calgary South):*

Q. Is this the same correspondence?—A. Some of the extracts from the correspondence. If we are going to talk about getting \$6 million from an insurance company over there you want to give them as much information as you can. The bank had all the information and also were shown the letter of intent. Also, just a year ago, when I arranged for the additional \$750,000 and Webb and Knapp entered the picture with a like amount they also were made acquainted with this letter of intent. Whether any person will lose money depends on whether the government in going to persist in cancelling the letter of intent.

*By Mr. Kucherepa:*

Q. Why did the Canadian sponsors of this project dispose of their interests in the equity in the building to an American firm?—A. We had a hole in the ground with the foundation in, and the mortgages that we expected to get for the \$6,750,000 was not forthcoming. It was coming to the extent of \$6 million with an additional \$750,000. At such time as the building was approximately 90 per cent rented we had to get \$1,500,000 immediately. Some of us put up \$750,000. Webb and Knapp entered the picture with a like amount and they were made acquainted with this letter of intent. When Rockefeller Centre was built it was a risky business. They lost millions of dollars for two or three years until they got their building up. If we were facing a situation like that we wanted to know we had someone back of us who would see us through.

Q. That was the reason for a large part?—A. Yes, and Webb and Knapp, as I said, never told me of the price. Mr. Zeckendorf is here and he will know, however.

*By Mr. Walker:*

Q. Did the government know when they gave you a letter of intent that you were turning over 50 per cent of the equity to American interests?—A. Just a minute. About a month after I talked with the then Prime Minister—



I explained the situation to him, and he came back again at the same time and said, "We are perfectly satisfied with the sponsors as to what they think is best for the completion of the building." Our interest is our contractual right for space that we want now plus any additional we might want.

Q. Are you suggesting the Prime Minister knew when he gave you the letter of intent that you were going to turn over 50 per cent of the equity to American interests?—A. He knew we had to turn over some.

Q. To American interests?—A. Yes; I sent him a letter.

Q. Have you anything in writing?—A. Yes.

Q. Could we see it?—A. I will get it for you.

*By Mr. Crestohl:*

Q. Can you name the 28 Canadian firms which have committed themselves?—A. Do you want them?

Q. I would like to have them listed.—A. This is not alphabetically or according to provinces, but my name is on there first.

Hon. Ray Lawson, Oakville  
John David Eaton, Toronto  
Norman D. Moffatt, Toronto  
P. R. Gardiner, Toronto  
F. R. Graham, Vancouver  
P. A. Thomson, Montreal  
Sidney C. Oland, Halifax  
Walter Stewart, Montreal

Howard Webster, Montreal  
M. J. Boylen, Toronto  
E. P. Taylor, Toronto  
Jules R. Timmins, Montreal  
J. A. Gairdner, Toronto  
J. Gordon Thompson, London  
Richard G. Ivey, London  
Eric L. Harvie, Calgary  
J. D. Leitch, Toronto

His father, Gordon Leitch, was coming in. He passed away and his son took over.

Edgar G. Burton, Toronto  
Walter C. Koerner, Vancouver  
Harry W. Knight, Toronto  
Ewart R. Angus, Toronto

Hon. G. P. Campbell, Q. C., Toronto  
Thayer Lindsley, Toronto  
L. R. Perini, Toronto

Sir James Dunn—since has passed away and has been replaced by David S. Holbrook, executive vice-president, Algoma Steel Corporation Limited.  
B. W. Newkirk, Toronto  
E. B. Kernaghan, Toronto

Nathan Cummings, Chicago

Q. The latter is a former Canadian.—A. Yes, he lives in Chicago now. He has made considerable material advances in the states. He went over there in 1938 and is looking for investments in Canada. Mr. Lindsley also has money.

Q. All these are publicly spirited Canadian men.—A. Yes. And when I talked to them I said, "This is a Canadian project which I think is for the good of Canada, and I am satisfied it has the blessing of Ottawa."

*By Mr. Macnaughton:*

Q. They did not need the 4 per cent, I take it?—A. We said they would get lower than bank interest. Eventually we issued junior debentures.

*By Mr. Crestohl:*

Q. Mr. Lawson, you have heard about the defects in the property which were outlined by the minister this morning?—A. Yes.

Q. Did you know of those constructural, or architectural defects at any time?—A. When we bought this property we knew that after we went up 26 or 27 stories we would have to purchase air rights. I do not think there were other restrictions on that property that were not on any other property in the area. That was an area that we considered was an excellent location for a Canada House.



*By Mr. Walker:*

Q. Mr. Lawson, you knew at the time, though, didn't you, that the museum of modern arts could build right up against Canada House on the west side? —A. Up to ten stories, but we did not think that they ever thought of doing it.

Q. Exactly, but you did not have any undertaking that they would not build?—A. No.

Q. And later on they told you of their intention to build?—A. That they might.

Q. Exactly, that they might, and you informed the Canadian government of that, did you not?—A. Yes, as soon as we knew about it, immediately.

Q. Would that not make a material difference to have not only — just a minute — not only the south side but the whole of the west side blocking off all the consulate general offices, which were to be on the third and fourth floor, when one of the great advantages was that they overlooked the garden of the museum of modern art? Did you not think that was a material change when you told them that was going to be built?—A. I would not have thought so.

Q. You would not have thought so. I would think that would make a difference of 25 per cent in the rent.—A. In a building of that kind, you know, there are elevators taking certain space along the wall, there are wash rooms and lavatories taking space.

Q. But your plans—I do not want to be impolite, you go ahead, Mr. Lawson.—A. I was asked about the financing situation there, at least you asked me here. I said that the life insurance companies are taking a mortgage of \$6 million at 4-3/4 per cent, but there is \$2,800,000 of junior debentures which the sponsors have. There is over 1-1/2 million, one-half held by Webb and Knapp and one-half held by the sponsors.

Q. Is there any equity left in it for the original Canadian sponsors? —A. That depends on the project. It depends on whether the building is fully rented, and if the government do not go ahead, and if we decide to sell the building. I do not know whether this is a bad time to sell a building or not.

Q. Whatever equity there is the Canadian sponsors still have 50 per cent? —A. Exactly.

Q. And the American sponsors have the other 50 per cent?—A. As it stands now, exactly.

Q. As it stands now. Just one further question. When you came forward with your plans, they showed windows all the way up the west side, didn't they, so far as our office is concerned?—A. I do not think I ever saw those plans.

Q. Let me tell you as a fact, it does—A. I see.

Q. Then we were informed of this further change on June 13 by letter from you?—A. Yes.

Q. Which would block out your idea and all our ideas of having good consulate general offices on the third and fourth floors with a view of the garden, and all that that means. You do not think that is important?—A. No. As you know, in New York, as you go up the rent increases. The rents are higher on upper floors than on lower floors.

I did not have any negotiations, but Carswell, the rental agent, offered to give the government space higher up at practically the same rate as they would pay below.

Q. Did you also know that we could get our present space at Rockefeller Centre for \$115,000, and renting from you would cost \$156,000 a year for 20 year plus \$200,000 to put in partitions? There is quite a difference, is there

not?—A. Well, just a minute now. I do not think it was \$200,000 for the partitions. I understood the partitions were going to cost \$70,000, subject to the negotiations with the Department of Public Works.

Q. Your original estimate was \$100,000 and then you went up from \$150,000 to \$200,000?—A. That would be a result of your Department of Public Works, I presume.

Q. In Rockefeller Centre we only pay \$115,000 a year for all the facilities right at the centre. In going over to where you are—

Mr. KNOWLES (*Winnipeg North Centre*): Perhaps this witness should move up to the head table.

*By Mr. Walker:*

Q. —we pay \$156,000 plus \$200,000 for alterations. Do you not think that that is a consideration which should be taken into account?—A. I think everything should be taken into consideration. While Mr. Carswell, the manager of this whole project, is not here, he had selected and approved—

Q. With all these changes from the original letter of intent that you received, do you blame the government for saying that they could not go ahead with this?

Mr. MACNAUGHTON: The story is not over yet.

Mr. CRESTOHL: Let us have the answer.

The WITNESS: We have letters to the effect that there are lots of firms who would like to locate in that area, but still the building was let to the government.

*By Mr. Crestohl:*

Q. All except that wall on the west side—

Mr. STICK: Let him answer.

The WITNESS: Do you know that the Department of Northern Affairs and National Resources spends up to \$2 million a year in advertising for tourists to come to Canada? Do you know that on fifth avenue millions of people pass there, millions of people pass where the tourist bureau is expected to be? Is that worth any more? If the Department of Northern Affairs and National Resources only spent 10 per cent of their appropriations for space on the ground floor of this Fifth avenue building they would be getting it cheap.

*By Mr. Macnaughton:*

Q. What is the location of the tourist bureau at the present time?—A. Around 53rd street, on a side street.

Q. It is 49th street, is it not?—A. 49th street, yes.

*By Mr. Crestohl:*

Q. Does the Department of Northern Affairs and National Resources contemplate going into this building?—A. Yes, they did agree to go in.

Mr. SMITH (*Calgary South*): I assume we will have people from the tourist bureau to give an opinion as to this matter?

*By Mr. Stewart (Winnipeg North):*

Q. I wonder if the witness could tell us what the usable amount of square footage on the ground floor is?—A. I really have not got that detail. I think perhaps Mr. Zeckendorf has that information.

Q. I have a reason for asking that and it is simply this; I would imagine that these companies, who want space in the building, naturally would like to be on the ground floor. The tourist bureau will want some 11,400 square feet, which would take up I imagine, the largest part of the space on the

ground floor. There would not be room for many other companies to pursue their business in this area, from the point of view of selling their wares?—A. Of course, this area is marvellous, and we have turned down people who wanted space on the ground floor. That is the place, in my opinion, that our tourist bureau should be. I do not suppose there is any point in the world that more people pass by during any week than that point. If we want advertising space, I think this is ideal.

*By Mr. Garland:*

Q. Mr. Chairman, is it not a fact that the former head of the travel bureau was very enthusiastic about this location?—A. I think so.

*By Mr. Kucherepa:*

Q. If the government of Canada has been offered this space at a cost of \$150,000, why could not the owners of the building rent this space to somebody else at this price?—A. I do not know whether they could or not. Mr. Zeckendorf would know more about it than I do. I have not been in New York for three years.

Q. If it was worth that much to the Canadian government would it not be worth that much to a private interest?—A. I have no information on that point.

*By Mr. Crestohl:*

Q. Would the name of Canada House, which has been more or less permanently attached to that building, affect the last question?—A. I did not get that, excuse me.

Q. The name, Canada House?—A. Yes.

Q. Is more or less attached to that building?—A. Correct.

Q. Would that not affect the enthusiasm of Canadians?—A. I do not think so. I have to plead ignorance because I have not been in New York during the last couple of years. My successor Mr. Norman would know, and Mr. Zeckendorf would know. Carswell would know also, he is down there all the time. I would like to plead ignorance in that respect. They are the persons who could answer this.

*By Mr. Smith (Calgary South):*

Q. There are quite a few questions to ask yet.—A. May I suggest, therefore, that you ask Mr. Zeckendorf. He is the man who managed all this.

*By Mr. Fairfield:*

Q. I wonder if Mr. Lawson could tell me whether there is a much larger concentration of tourist bureaus in the Rockefeller Centre than there is at Fifth avenue on 54th street?—A. I would think they are scattered all over New York. They are all above 42nd street. Some are around 42nd and Madison, and 42nd and Fifth avenue. There are some around the Rockefeller Centre. That is one of the objections, I understand. You do not want us to take another tourist bureau into this building. That is one thing that came out, was it not, Mr. Chairman?

*By Mr. Macnaughton:*

Q. Surely the point is that the tourist bureau now is on a side street, off 49th street, and is not in Rockefeller Centre? It is not inside the centre of the building.

Mr. LENNARD: It is on 49th street.



*By Mr. Macnaughton:*

Q. It is on 49th street. You just have a little alcove on 49th street, and are not in the Rockefeller Centre proper?

*By Mr. Smith (Calgary South):*

Q. I would suggest we continue this.—A. There is not very much more, gentlemen. I do not want to tire you with it.

*By Mr. Walker:*

Q. I will not interrupt you until you are finished.—A. The minister mentioned this morning certain things in his statement of which I made little memorandums. I think that his opinion, from my understanding, differs somewhat from mine. It was originally contemplated among the sponsors to give the equity to the government, or to offer the equity to the government at such time as the senior obligations were retired. Mr. St. Laurent had, according to my documents, agreed to enter into the project for space and the following words were used: "government contractual rights for space and additional space as required".

Q. This was a letter again?—A. A letter. Government contractual rights for space and additional space as required. Mr. St. Laurent did discuss it with at least two of his colleagues, to my knowledge.

I contend the letter of intent obligated the government just as much as any agreement. Large companies having connection with Canada are taking space. Also the Ontario government are committed for space.

Mr. WALKER: That is not so.

The WITNESS: I beg your pardon?

*By Mr. Walker:*

Q. You had a conversation with Premier Frost. The Ontario government has not committed itself?—A. Would you like to get a wire from Mr. Frost?

Q. Yes, I would.—A. We can get that without any trouble, I think.

*By Mr. Crestohl:*

Q. Would that be available today?—A. I think I can get it today if I call Mr. Frost. He would send a wire.

Q. Would you do that?—A. Yes, sir.

Mr. HENDERSON: Surely Mr. Walker does not doubt Mr. Frost's undertaking?

The WITNESS: When I finish here I will go out and phone Mr. Frost.

Mr. WALKER: I do not doubt anyone but a pleasant conversation between an affable Prime Minister and a more than affable former lieutenant governor does not constitute an agreement by the government of Ontario.

The WITNESS: Regarding government paying for partitions, this was settled by negotiations.

The space in this prestige building is on Fifth avenue in an entirely new air conditioned building with new elevators and a new heating system, whereas at the present time they are in a building 27 years old.

The government can have more space as they need it, on giving us fair notice of their requirement.

I conceived the idea of this building and with the exception of a few months, I have been available to discuss the details with the department. If this project goes further with leases, or with negotiations, I would appreciate it if they would communicate with me. The location, space and type of building were left entirely to the judgment of the sponsors.

I think, gentlemen, I have gone over this completely.



Mr. SMITH (*Calgary South*): Mr. Chairman, we have had references to letters for the fifth time, concerning contractual rights between Mr. Lawson and the former Prime Minister. It does seem to me that this is a fairly important document. I do think that the committee should have it filed.

Mr. MACNAUGHTON: The letter of intent is also a very important document.

Mr. SMITH (*Calgary South*): I agree, but so is this important. It is considerably more binding than the letter of intent.

Mr. MACNAUGHTON: Is it? What does "authorized by the government of Canada" mean? I would like to ask a few questions if I could.

The CHAIRMAN: Yes.

*By Mr. Macnaughton:*

Q. Could you tell us if Canada, for example, rejected the thing in toto. To your knowledge, are there any other firms, concerns, persons, or individuals interested in it?—A. I was approached through one of our sponsors, a finance company in New York, if it would be available, and under what terms. An industrial company in New York had made inquiries, and a foreign government had made enquiries.

Q. Inquiries about what? To purchase the building?—A. To purchase the building, to take it over, and to take over the obligations. I do not mind saying in addition that if we would accept the bonds of that government in payment; I do not know any more about it.

Q. Is it possible to give us the name of that government?—A. I do not know it. It came through one of our renting agents.

Q. To your knowledge, what Canadian firms have given letters of intent?—A. First of all, there was the "Anderson" company, and there was the Abitibi Paper Company who asked about obtaining a definite lease. I do not know of any others.

Q. I am told that Consolidated Mining and Smelting did?—A. Just a minute. They have taken away another letter from me. I had a letter from someone in Montreal dated December 31. It went to my home in Oakville and was then forwarded to Toronto. He considered leasing space in Canada House and was quite disturbed about it. Also there were some other Canadian companies who were considering taking space. This was a letter I had in my file.

Q. You mean it was a question of good faith with Canadian companies?—A. They wanted to know about the situation of the Canadian government so I said they had better wait until after the 17th because I was coming up to Ottawa to see.

*By Mr. Walker:*

Q. Until they signed a lease, you would not consider that as binding?—A. Oh no, but after a letter of commitment or a letter of intent I would.

*By Mr. Macnaughton:*

Q. Would you be good enough to give us a breakdown of the financial set-up as between the sponsors and your co-partners? What is the investment?—A. We have a \$6 million mortgage arranged if they accept, as a stand-by guarantee.

Q. Who with?—A. Prudential Life, at 4½ per cent. The sponsors have \$2,800,000 of which there are junior debentures at 4 per cent, but the interest will not start to be paid until the building is in there. A few of the sponsors and Mr. Zeckendorf's company put up \$750,000 each just a year ago.

*By Mr. Walker:*

Q. As a result of that it will be impossible to turn the equity over to Canada?—A. No, no, no. You should listen to Mr. Zeckendorf.

*By Mr. Macnaughton:*

Q. What about this question of equity?—A. It is 50 per cent. We have a 50 per cent equity as sponsors. The government never agreed to accept this equity. They said it was for the government of the day to decide, if at that time the sponsors agreed to offer it to them.

*By Mr. Walker:*

Q. As a free gift?—A. Definitely.

Q. Are you suggesting that the American interests now will concur in your opinion?—A. No. Mr. Zeckendorf made a statement to me—or his son made a statement to me in Montreal last year—that if the Canadian sponsors or any people in Canada wished to bring them out of their obligation, they would be very glad if they got their costs out of it.

Q. You mean if they got out what they had paid into it?—A. Oh yes.

Q. You mean they would have to be bought out?—A. Oh yes.

*By Mr. Macnaughton:*

Q. So it is possible that when the costs have been written off the sponsors will get control of the full equity and then be in a position to present Canada House?—A. I would be ready to give mine.

*By Mr. Walker:*

Q. Would the American sponsors also do it?—A. I think so.

Mr. ZECKENDORF: I do not believe that Mr. Lawson is in a position to answer that question. May I do so?

Mr. MACNAUGHTON: Yes.

Mr. ZECKENDORF: The answer is two-fold. As we have stated—and that statement stands—we will sell our interest for what it costs us. Secondly, we stand ready to follow the lead of the original Canadian sponsors and to turn our equity over to Canada on the precise terms that were originally set by the original sponsors.

Mr. WALKER: Do you consider your statement here as binding just as if you had written a legal document to that effect?

Mr. ZECKENDORF: I never make a statement which is not binding.

Mr. WALKER: Really!

Mr. MACNAUGHTON: Your statement is a statement of intent.

Mr. WALKER: It is a statement of intent, is it?

Mr. KNOWLES (Winnipeg North Centre): Is this a statement of intent or a legal document?

Mr. ZECKENDORF: It is an offer.

Mr. WALKER: You say it is an offer. It is open for acceptance until when?

Mr. ZECKENDORF: At the pleasure of Canada.

Mr. MACNAUGHTON: Are there any more questions?

*By Mr. Smith (Calgary South):*

Q. May I ask Mr. Lawson if he sent out a prospectus and a letter—perhaps not under his signature—endeavouring to induce a number of other Canadian companies to come into Canada House? If so, does he have a

copy of that letter, or would it not be under his signature?—A. I never sent out a letter of that kind. The majority of the people interested were those coming through New York and they would come in and talk about it. Many volunteered to come in. I never appealed to any person or any company.

Q. Do you know if a letter was sent out by any other promoter with a prospectus?—A. I do not like that word “promoter”.

Q. It is still a good honourable word.—A. This is a question of good will. I want to repeat before the close of the committee that there was never any possibility of any sponsor making any money out of this. If they get their money plus 3 or 4 per cent by way of interest, it would be all right. I still think so.

Q. Perhaps they would take it without any interest and be glad to. As far as you know, no letter was sent to any company in Canada with a prospectus and a covering letter?—A. No.

*By Mr. McCleave:*

Q. What rate of interest would the junior debentures carry? Would they be interest free?—A. No, four per cent.

Q. Did you not state that there was no way by which the sponsors could profit?—A. Yes. Do not consider four per cent, what that in itself means. But go ahead and ask them.

*By Mr. Macnaughton:*

Q. What is the bank rate on a loan? Is it four per cent or seven per cent?

*By Mr. McCleave:*

Q. At what time did the others put up their \$100,000 each?—A. I put up mine as the first one. I said that I would not accept any money from any of them until I put it up first. Many wanted to put in the cheques immediately. This was in 1955 and previous to our purchasing the property. I think one of them came in January 1956, and the other two previous to that.

Q. At that time did you have any commitments from the Canadian government at all that they would use this building?—A. In my letters—not the letter of intent—but in letters, definitely. I read some extracts from them this morning. I would like to have a chance to go over them and I will refer back to them.

*By Mr. Walker:*

Q. Would it be possible for you to produce the agreement between you and the Zeckendorf firm having to do with the condition that they put up their \$750,000?—A. It would be in my file in Toronto.

Q. You would not mind making it available to the committee?—A. Not a bit. I was under the weather at the time, and it was Mr. Tory, my lawyer in Toronto who looked after the matter for me and the interests of the sponsors on that deal. There was one item that I do not know if you noted. There was a letter from Ottawa saying that they would be very happy if I took the initiative in setting up a committee and if the members of that committee and others who were interested in my going ahead with the project of a Canada House in New York to provide a place for government offices, and also if additional space might be made available as the Canadian government might require; and there is another item simply where it referred to contractual rights.



*By Mr. Smith (Calgary South):*

Q. We are going to table this letter concerning the contractual agreement between the former Prime Minister and Mr. Lawson.

The CHAIRMAN: I would expect that would be done.

*By Mr. Walker:*

Q. Has any change been made in Mr. St. Laurent's attitude over those years from the time when he made a statement in the House of Commons in 1954 which was read by the Minister of External Affairs this morning, and the letter of December 14, 1954 where he said that the government might rent premises?—A. I do not know. He said he would ask for contractual rights to do anything that we wanted.

Q. You will produce that correspondence?—A. Yes, but I do not want to put it out because it is personal.

*By Mr. Crestohl:*

Q. Mr. Lawson, in the earlier part of your statement you said something about receiving an option to buy that valuable piece of property.—A. That is correct.

Q. And you only had an option for a few days.—A. That is correct.

Q. Did you say that it was after consultation with Ottawa that you decided to purchase?—A. I referred it to Ottawa, and I think the Minister of External Affairs at that time made a statement to the effect: how in the world did you ever get as good a property as that?

Q. And then you decided to buy it?—A. I wired a lot of the sponsors and I got acceptance from over 50 per cent of them.

*By Mr. Kucherepa:*

Q. The sponsors put up their \$100,000 each you say earlier in 1955. That is your recollection.—A. Yes, one of them was in 1954 but most of them in 1955.

Q. This was after your correspondence from Mr. St. Laurent in which he said, "that we might" and those were the strongest words he used.—A. Yes.

Q. And yet you say that when the sponsors put up \$100,000 each, you said, and I am quoting the remark I took down "knowing they had the blessing of Ottawa."—A. Yes.

Q. How do you reconcile the Prime Minister at that time and his letter to you of December 14, 1954 and the subscription of this \$2,800,000. How can you say "knowing they had the blessing of Ottawa", at that time in 1955?

Mr. MACNAUGHTON: Gentlemen, just a minute now. The answer is on page 367 of External Affairs committee report, a letter of intent, "authorized by the government of Canada to inform Canada House, New York," etc.

Mr. WALKER: That was a year after the money was raised.

Mr. MACNAUGHTON: On October 19, 1956—it is a letter of intent.

Mr. SMITH (Calgary South): I suggest the witness reply.

*By Mr. Kucherepa:*

Q. How could they use the phrase "knowing they had the blessing of Ottawa"?—A. Well, if a letter came from the Prime Minister to you saying, "I would be very happy if you took the initiative of setting up a committee" and had members of that committee and others who might be interested, would you not go ahead with the project of a Canada House in New York?



*By Mr. McCleave:*

Q. What date is that, sir?—A. That was a long time before that. That was the first letter I had.

Q. We have the words "We might be interested as much as one can", dated December 14, 1954.

The CHAIRMAN: Mr. Zeckendorf has asked, and I think in fairness we should give some consideration to his wishes. He was under the impression that he would be through this morning and he has his private plane here. He has commitments in New York this afternoon and would like to make a statement. Possibly we could have his statement now.

Agreed.

Mr. MACNAUGHTON: Will Mr. Lawson be here this afternoon?

Mr. LAWSON: I will stay as long as I am wanted.

**Mr. William Zeckendorf, President, Webb & Knapp Incorporated, New York, and Webb and Knapp (Canada) Limited, called:**

The CHAIRMAN: Mr. Zeckendorf has a prepared statement and he will distribute it now to save time. If you will start now, Mr. Zeckendorf.

Mr. ZECKENDORF: First of all, I wish to express my gratitude to you gentlemen for giving me the privilege of talking here today, and to do so to suit my convenience as you have just done, is particularly appreciated.

"Mr. Chairman and members of the committee:

My name is William Zeckendorf. I am president of Webb & Knapp, Inc. and Webb & Knapp (Canada) Limited. These companies are respectively United States and Canadian real estate development organizations.

I have been invited to appear before your distinguished Committee and to set forth the association between Webb & Knapp, Inc. and Canada House in New York. I believe a brief chronological account of Webb & Knapp's participation in Canada House will best serve your purpose in ascertaining all the important facts concerning this project.

I first heard about the conception for centralizing certain activities of the Canadian government and prominent Canadian corporations in one major building when the Hon. Ray Lawson, at that time Consul General for Canada in New York, visited my office in the Spring of 1955. Mr. Lawson was seeking advice concerning the real estate aspects of the project, and I was delighted to counsel him to the best of my ability. I was happy, in fact, that an opportunity had arisen whereby Webb & Knapp might be of some service to Canadians as represented by their Consul General and by a prominent group of 25 gentlemen from all parts of Canada who were sponsoring the idea. I was also pleased that the project was to be carried forward at the private capital level and later made available at no cost to the people of Canada. I might point out that this was our first real contact with Canada since we had not yet considered participating in a Canadian real estate company.

The conception for a Canada House, as I understood it, was, of course, predicated from the beginning on the government's taking space in the building since without government participation the idea would have been meaningless. Moreover, the presence of the government of Canada was the chief reason for Canadian organizations in New York wishing to come together under one roof.

Webb & Knapp aided in furthering Canada House by the following means:  
Site selection.

Arranging the purchase of the property at the southwest corner of Fifth Avenue and Fifty-Fourth Street (Contract signed April 13, 1955. Closing May 5, 1955).

Managing the property at the request of Canada House from May 5, 1955, until date of termination, January 15, 1956.

This meant that we administered the buildings with interest on the site, collected the rents and did the necessary supervising.

For managing the property, billing tenants and collecting rents, Webb & Knapp received a total of \$3,664.98, which did not cover out-of-pocket expenses. Webb & Knapp, I might add, gladly donated its services on all other phases of the work, and I would like to emphasize that we were happy to do so.

In September, 1956, I was approached on behalf of the sponsoring group and asked to participate as a principal in the project inasmuch as the original group was encountering difficulties in the financing and construction of the property. The reasons for these difficulties were chiefly two: increased costs and a severe tightening of the money market.

Webb & Knapp initiated not less than five separate negotiations in an attempt to get local real estate investors to participate in the project for investment or speculative purposes. Having failed in these efforts, Webb & Knapp consented to take on a 50% interest in Canada House and agreed to lend the joint venture sufficient additional funds to insure completion of the building.

I want to say parenthetically here gentlemen that all the money that Webb and Knapp is putting in is junior and subordinate to the original investment by the Canadian group. It is not *pari passu*, it is subordinate. The first claim—am I not correct in that, Mr. Lawson—if I am not correct, that is my intention and purpose and the theoretical equity that has been referred to lend is such an amount of money as might represent equity after all this indebtedness would at first have been discharged.

*By Mr. McCleave:*

Q. Was it secured by mortgage, Mr. Zeckendorf?—A. I do not think so. I think it is on open account. I do not believe it is.

The WITNESS: In the meantime in a letter dated October 19, 1956, to Mr. J. B. Carswell, General Manager of Canada House, Mr. Jules Leger, Under Secretary of State for External Affairs, had written as follows:

I hereby give you notice that I have been authorized by the government of Canada to inform Canada House (New York) Limited of the government of Canada's intention to lease two floors in Canada House for office purposes at a rental of \$120,000. *par annum* and a ground floor area of approximately 1000 square feet fronting Fifth Avenue for the Canadian Travel Bureau and an additional storage space of approximately 500 square feet at a rental of \$36,000, *per annum*, the lease to be for a period of twenty years.

Following receipt of this letter until the second week of April, 1957, the rental agents of Canada House carried on negotiations with the Canadian government travel bureau and the Department of Public Works over final details of their leases which were already in draft form. Every request of these departments was granted by the second week of April, 1957. From that date the rental agent attempted without success to obtain execution of the leases as changed to conform with the government's request.

In a letter to Mr. Carswell dated November 8, 1957, Mr. Leger stated the government of Canada had decided not to lease accommodations in Canada House. This letter states in part:

I do not think I need to read this letter as you are all familiar with it. I will continue with the brief.

On December 12, 1957, the Government of Canada announced publicly in Ottawa that it had cancelled plans to locate certain government offices in Canada House.

On December 13, 1957, Mr. Lawson, on behalf of the original sponsors, was kind enough to issue a statement in Canada and in New York which said in part:

The sponsors wish to state that Webb & Knapp, Inc., the American company with which we are jointly associated in Canada House, was sought out by us first as an adviser on the location of the property and subsequently as a principal to aid in furthering the project.

In all fairness to Webb & Knapp, Inc. we must state that their participation has been and continues to be solely on the basis of good will toward us and towards our Government.

Mr. WALKER: Will you read the letter at the top of page 4 which you left out giving the government's position.

The WITNESS: I thought that it had been read before.

Mr. KNOWLES (Winnipeg North Centre): It is understood that it is in the record.

Agreed.

The WITNESS: All right, I will read it. I thought I might be boring you.

This decision has been taken only after very careful consideration and results in part from the fact that there has been an important change in the Canadian aspect of the project both in regard to financing and to occupancy of the building. In initial discussions it had been reported to the Department that a substantial part of the building would be occupied by Canadian firms or United States firms having Canadian interests. We are informed that this is not the case and that the building will not be a Canadian centre.

Since discussions with you were begun, the Department has been informed that, contrary to the impression created by the brochures shown to us, Canada House (New York) Limited does not own air rights below 150 feet. Consequently, a building could be erected on the West side which would block out windows to the level of the tenth floor. This is considered to be an important factor and particularly so when it relates to a long-term lease.

Now, I am glad that you suggested I read that. It brings out a point which I had not raised.

*By Mr. Walker:*

Q. That is the position of the government?—A. I read from the government's letter.

I am going to make a point which had not occurred to me. Gentlemen, I do not know whether or not you would consider that the United States has an affiliation interest in Canada but we have a forty-odd per cent interest in a very important Canadian enterprise. Webb and Knapp Limited is presently endeavouring to develop some very interesting situations from coast to coast in Canada. I say to you that in a sense we might qualify as being strongly interested in Canada. We certainly believe we are. We have demonstrated it by making a very substantial investment, at least very substantial for us.

*By Mr. Macnaughton:*

Q. You have a great many shareholders?—A. A majority of the shares are held in Canada. None are sold south of the border except to ourselves, and they are a minority.



*By Mr. Smith (Calgary South):*

Q. Would you have a list of the directors?—A. Mr. Lawson has been one.

*By Mr. Walker:*

Q. Was he one at the time you put up the \$750,000?—A. No. As a matter of fact Mr. Lawson resigned from the board because the thought he might have a conflict of interest.

I would like to carry on here. We have Mr. A. E. Grauer of British Columbia, Mr. Jack Jolinson of Montreal, head of the Canada Cement Company, Mr. John Udd, Mr. W. A. Arbuckle, Mr. Dent Smith, Mr. Louis Gelinas, Mr. Jean Raymond, Mr. Leslie W. Haslett, Mr. G. E. Phipps, Mr. Graham D. Mattison, Mr. William Zeckendorf, Jr., Mr. William Zeckendorf, Mr. Nicholas M. Salgo, Mr. Lazarus Phillips, Mr. Ralph Baker, Mr. Edward C. Lowe.

Q. The 50 per cent equity is owned by the American company?—A. I have made that very clear.

Q. But when we come back to it that 50 per cent is owned by Canada House, New York?—A. That statement is correct.

*By Mr. Macnaughton:*

Q. It is that half which you have offered to contribute?—A. Yes.

Q. And you have an investment of \$750,000?—A. I think we subordinated our investment; I cannot be certain.

Webb & Knapp's role was that of adviser and later became that of a principal only because we were requested to aid in the financing and construction of a worthwhile project that otherwise might have been considerably delayed. From the very beginning we have participated only for reasons of good will.

Please let me take this opportunity to reiterate that good will continues to be the guiding factor in our thinking, and that we shall continue to pursue this matter in that spirit.

To return to the points made by Mr. Leger in his letter of November 8, 1957, the first, namely that concerning the change in the Canadian aspect of the project in respect to financing and occupancy of the building—I repeat that Webb & Knapp will be glad to step aside and to sell its interest to the government of Canada or to Canadian citizens at cost. I might point out, however, that tenants in the building already include Abitibi Service, Inc., Rio Tinto (New York) Ltd., Southern Canada Power Co. Ltd., and Mannesman Tube Co. Ltd. Moreover, in my opinion there will be an increasing number of Canadian firms headquartered in the building in the years ahead as their present leases expire.

I would like to divert for a second and talk to the point raised earlier here. The question of the sound value of the space, the marketability and merchantability of space in that building. I am informed that the average rentals made to these companies, unrelated to the government of Canada, are at square foot rentals, value for value, considered above the amount per square foot value for value considered that is chargeable or would be chargeable to the Canadian government for the space contemplated originally to be taken by it. In other words, answering the gentleman's question earlier as to how much help was being sought from Canada and the suggestion that this help was in the nature of a subsidy to provide capital, there is no subsidy in the rentals charged under the contemplated leases whatever. These are merchantable leases. The question was asked, could they be rented on the open market at the rents prescribed. If market conditions remain the same I would say that they should be rentable with reasonable ease.



*By Mr. Smith (Calgary South):*

Q. I wonder if you could just elaborate on that? Basing your opinion on your very broad experience, I take it that there is not going to be any problem at all, and with the accommodation you have there on Fifth avenue you will be able to rent space regardless of what the position of the Canadian government is?—A. I am going to answer that question as directly as I can. The fact that there is a current recession in the United States is not a secret.

Q. There is a current recession in the United States?—A. The business volume is off.

*By Mr. Knowles (Winnipeg North Centre):*

Q. It is called a pause in this country.—A. I would say so.

*By Mr. Smith (Calgary South):*

Q. There is one there?—A. I would say we are experiencing a recession. I do not think it is a severe one, but it is a recession. I do not want to make a loose statement as to whether or not the space could be rented immediately at these rents, but I am inclined to think that in a reasonable time they could be.

I am going to say something that will probably surprise everybody including Mr. Lawson. In coming here, I accepted your kind invitation, and I came here for the purpose of being explanatory and not to ask anyone to go through with anything that they do not want to go through with. We do not want that. We do not want anybody to go through with any deal regardless of whether it is binding or not. I just wanted to say that. I am only here because I was invited to be here, and I am speaking for the Webb and Knapp firm.

Mr. WALKER: So everybody is happy?

Mr. STICK: No smart alec remarks.

The WITNESS: I cannot speak for any other person, I can only speak for myself. I am very happy.

*By Mr. Cannon:*

Q. You would say that the government of Canada is getting a better than fair deal?—A. I honestly believe that, considering the space they are getting, the circumstances surrounding this venture, and the character of the building that has been conceived, the government of Canada is getting a very sound and merchantable lease, if they take it. I would only like to have the matter disposed of because we are suffering to one extent only in respect of the matter of uncertainty as to whether it is Canada House or some other house, or some other building. We are in a position where we cannot move in one direction or another. We cannot make settlements with prospective tenants because at the present time we feel that we are bound to see this deal through with Canada, if Canada wants to go through with it.

Speaking for my firm, we would release Canada from any obligation of any kind.

Mr. WALKER: That is a courteous thing. There are none.

Mr. KNOWLES (Winnipeg North Centre): Mr. Chairman, I object at this point.

Mr. CANNON: That is an opinion.

Mr. KNOWLES (Winnipeg North Centre): That is a statement with which I disagree.

The WITNESS: I can modify my statement to say, if there is any. I am not assuming there is any, I am not taking any position on this. I want you gentlemen to understand that I do not take the position that Canada is bound to anything.

*By Mr. Holowach:*

Q. May I ask a question for the sake of clarity. What is the total proposed cost of the building under construction? Secondly, would you say, sir, that in negotiating rental arrangements with firms that are presently occupying space in the building, the fact that the Canadian government might have taken some space in this building was a factor?—A. It must have been a factor to have attracted these firms. You see, all these firms I mentioned are Canadian firms, and they came in there because they believed they were going into a Canadian centre.

I want to say to you gentlemen that we assumed our interest in the company subject to existing—

Mr. KNOWLES (*Winnipeg North Centre*): Mr. Walker would like to go to lunch.

The CHAIRMAN: Mr. Zeckendorf has not completed his statement.

The WITNESS: We assumed our interest subject to the existing outstanding contracts that had been made, before we entered the picture, which included noncancellable manageable contracts in a firm with which we had no interest. We have done no negotiating except in a supervisory capacity since we have been involved.

*By Mr. Holowach:*

Q. Will you answer the first part of the question? What is the total proposed cost of this building?—A. Yes, I have the figures before me. The land cost us \$2,300,000. The air rights, purchased from the St. Thomas Church, was \$250,000. I do not think it was St. Thomas' Church, it was the museum. The estimated construction cost is \$6,500,000. You have carrying charges and expenses and other items which go into capital. This memorandum is dated September 17, 1956, since which time there was a rise in costs. My guess is somewhere in the vicinity of \$11 million, which will see the job through. That is a figure I do not want to be held to.

*By Mr. Macnaughton:*

Q. Mr. Chairman, I have one further question to ask Mr. Zeckendorf. As a well known real estate expert, would you give the committee your opinion in respect of the proposed location of the new Canada House as opposed to the Rockefeller Centre?—A. I feel I can speak pretty objectively about that, because I made my recommendation to Mr. Lawson before I had any interest in it, and my views have not changed since then. I believe it is probably the finest location of its kind in the city of New York for the purposes originally conceived. I believe there are certain very definite advantages to Canada in being independent of the so-called large number of competitive travel agencies that are located in Rockefeller Centre. My views are not held exclusively, because there are many other governments whose headquarters for travel bureaus are located elsewhere other than Rockefeller Centre. For instance, the Spanish government's travel bureau is located across the street, the Portuguese bureau is further north, and the Venezuelan bureau is four blocks further north. I just cannot imagine a more beautiful location from the aesthetic standpoint. It is surrounded by churches, the museum of modern art, and a fine club like this on 54th street directly in front or just north of it; while Rockefeller Centre might be considered, it surely—it is not necessarily the only point at which travel could best be served.

My thinking is this: I would rather be north of Rockefeller Centre; I would rather be apart and alone and independent than part of a mass of competitive travel agencies.

*By Mr. Smith (Calgary South):*

Q. You do not consider it a better location because it is more fashionable, but more practical?—A. Practical, is what I am thinking of.

*By Mr. Walker:*

Q. Why did these big Canadian companies refuse to go in there?—A. There could be a lot of answers. A large user of space, such as one requiring 50,000 feet or more, will find a 12,500 foot plot with multiple story occupancy as efficient as a building having the same number of square feet on two floors, to take care of 50,000. That could be one reason. I need not list all the reason but I can say to you that I think probably my firm controls or operates more office space than any other firm in New York. We probably have in office and commercial space in New York under our control upwards of 10 million square feet. The reasons for a company selecting one building as against another are so numerous that I do not think you want me to lecture you on real estate.

Q. Still, as far as Canadian companies are concerned, you have not got many Canadian tenants?—A. Such tenants we have are Canadian.

Q. Yes, and they are very few.

*By Mr. Cardin:*

Q. I wonder if Mr. Zeckendorf could tell us whether he was aware of any advance plans which the museum might have had for the erection of a building on the corner, or whether they were just trying to establish a right for their construction at some indefinite time?—A. They never gave up their right. Their right has existed right along. I have been told through friends that a building is contemplated which might go to the eighth floor level of Canada House.

Q. Would the construction of such a building deteriorate from the site?—A. In my opinion it would make almost no difference. I heard it said here that there would be a diminution in value of as much as 25 per cent. I am going to make a categorical statement to the effect that under modern conditions of air conditioning a building, there would be almost no diminution of value because one or two walls were blocked out. In fact there are many buildings built today where the exposure is almost nil.

*By Mr. Crestohl:*

Q. In the light of the statement you make in paragraph 2, the first paragraph on page 2, would you tell the committee what effect there would be on that building if the Canadian government occupied space or if it does not occupy space? Would you mind reading that paragraph again?—A. Yes. I shall do so with pleasure.

The conception for a Canada House, as I understood it, was, of course, predicated from the beginning on the government's taking space in the building since without government participation the idea would have been meaningless. Moreover, the presence of the government of Canada was the chief reason for Canadian organizations in New York wishing to come together under one roof.

This idea of a national identification of a building is a two-edged sword. There are many non-Canadian firms that might prefer not to go into Canada House because they would not want to lose their identity of being of a very



small part of a single unit. I think when you do go into a national and international identity you have got to look to that particular nationality for occupancy for the major part. Now, if for example, the government of Canada did not go ahead with this deal, we would advise our associates to discontinue the name Canada House because we would say it was a misnomer. It has been rejected by the authorities administering the government of Canada and it would be presumptuous in my opinion to continue that name. We would make it a general purpose occupancy building or turn it over to one of several single or large occupancy users who might like to identify it as a building of their own name for reasons of corporate identity and as Mr. Lawson did state, and I can reiterate here, that I have personal first-hand knowledge of a request by another government, emanating from the information in the newspapers, who would like to be made a proposal to sell it to them for their purposes. I hope I will not be asked to identify that government because I do not think they would care to have it disclosed, but I can say that a very strong government of importance think so well of it that they would like to have it for themselves if they can buy it on a fair basis.

Q. What happens if the Canadian government does occupy space?—A. If the Canadian government occupies space, then this building will be occupied predominantly by Canadian firms within the reasonably near future. I would say that people who might have wanted to certainly would have reason for hesitancy now. But I have no doubt that there are sufficient Canadian firms located in New York or seeking location in New York who would be very much interested because of the identification.

Mr. STEWART (Winnipeg North): I do not think we are being fair to the witness in not letting him continue with his statement.

The WITNESS: I will continue with my statement toward the end of page five.

Finally, as to the statement concerning an impression created by the brochure, you have this pamphlet before you. Mr. Leger's concern on this point is understandable, but I believe this matter to be more academic than real.

The building is located on a corner bounded by a street, an avenue, a church, and a museum. It is rare to find such an ideal setting and even more unusual to have three of four sides permanently clear for light and air. When the arrangement was made for acquiring tower rights from the Museum of Modern Art, it was done for a paid consideration of \$250,000.

I want to say here that the site on the church has been used for utility purposes but there are walls that could be opened up if it were not for the aesthetics indicated by the architects, we would not have closed the wall but that is a matter of more economics than aesthetics and I believe the closed wall has no bearing on rental values.

This privilege is in perpetuity and definitely limits the height of any contiguous building to a level equivalent to the eighth to the tenth floors of Canada House. It is my judgment, having foregone the tower rights, no building could be economically managed which would go beyond the eighth floor. That is borne out by the statement made by the Museum of Modern Arts that any building they would contemplate would not go above seven stories.

The light and air easement which the brochure might indicate is valid. It is perfectly true that windows are shown on the lower floors which could be blocked out up to the eighth or tenth floors. To cover this point, however,



alternative higher space was offered without a compensatory price increase for elevation. I am quoting from the agents and Mr. Lawson that the higher floors were offered where there would be no danger of blockage of light.

*By Mr. Smith (Calgary South):*

Q. At no increased rent?—A. That is right.

Webb & Knapp had nothing to do with the design or engineering of this building notwithstanding the fact it has a full staff of architects and engineers. This is mentioned because our opinion of the aesthetics of this structure can be given you in complete objectivity without pride of authorship.

I can state without reserve that the design, materials, and overall structure is such that perhaps without exception, this is the handsomest office building on Fifth Avenue built within the past 25 years. The dignity and beauty of this building would make it an outstanding monument to Canada and serve as a lasting symbol of the greatness of your nation.

I can think of nothing that would do more to generate goodwill between our two countries or that would give Canada a more representative position of prominence in the heart of New York—America's most important trade and cultural center. Already the building is known for what it stands. It is not another numerical address in the midtown area, but a great national corporate home.

Speaking in my individual capacity and as a friend of Canada and with no thought of gain for our company's investment, I would deem the elimination of this dream a definite opportunity lost.

The CHAIRMAN: Are there any questions?

Mr. STEWART (Winnipeg North): I move we adjourn for lunch.

*By Mr. Smith (Calgary South):*

Q. Will Mr. Zeckendorf be with us after lunch?—A. If it is important to the committee that I remain on I will change my plans. I had hoped you would find my statement complete. I answered a lot of questions earlier. If it is the wish of the committee I will write to the committee that Webb and Knapp will be willing to enter into a deal identical to that originally conceived by the original sponsors and make our equity, after repayment of our investment, repayable to Canada at no cost.

Mr. HENDERSON: I was going to say I think Mr. Zeckendorf has shown good spirit and good will this morning, and I realize that he is anxious to get back home. He has made his position perfectly clear. I was going to ask if it would be acceptable to the committee that he be allowed to return to his home.

*By Mr. Smith (Calgary South):*

Q. You said in answer to a question that you thought it more than likely that the Canadian companies, had the Canadian government decided to take this space, would come in in a very short time. On what do you base that?—A. I said within a reasonably short time.

Q. I wondered if you could qualify that? Why did they not come in during a very substantial period when it was indicated that the Canadian government were going to take space?—A. I said there were many reasons why certain companies might not go into certain buildings.

*By Mr. Macnaughton:*

Q. They could not move into the building before it was up. You referred to the Canadian Club, and the minister on page 6 of his statement says the Canadian Club decided not to go in. I am a member of the Canadian Club. I

know the reasons, but perhaps it would be best that they come from you.—A. I do not have the slightest idea. It would be presumptuous on my part to assume why.

Q. The basic reasons were the difficulty of running a restaurant in an office building with the difficulty of dealing with unions and what not. Therefore, by remaining in the Waldorf Astoria they were able to give club services and avoid the difficulty of financing, unions, labour and food and all the rest.—A. I am sure there is more economy in operating in a hotel.

*By Mr. Crestohl:*

Q. Did you ever receive any information that the Canadian Club refused to go into this building because of structural or architectural defects?—A. I never have been told that, no.

Mr. LAWSON: The Canadian Club decided not to go in before we purchased that property. We negotiated with different properties adjoining hotels, thinking they were coming in, but with the change of president—and the Canadian Club of New York, as you know, is not a Canadian Club.

*By Mr. Garland:*

Q. At our last meeting we were advised by the witness at that time that an agreement had been entered into for the property occupied by the United Nations delegation in New York in September. Now are we correct in assuming that your firm were not notified of any change in the government's decision until November.—A. I am not qualified to answer the question, I do not know.

Mr. LAWSON: I can say we were not notified. I heard rumours to the effect during the summer that some person from the government was looking around, trying to get a location and they said "Why don't you come to Ottawa", and I said "Why, it is ridiculous; I do not think our government would consider looking for anything else", until they conferred with me first.

*By Mr. Garland:*

Q. Nothing definite until you received that letter?—A. No.

Q. Nothing from Ottawa?—A. No.

Q. Have you had anything since?—A. Just that letter.

Mr. SMITH (*Calgary South*): We planned after lunch to have the department officials here and at that time we will have an opportunity to question them.

Mr. CRESTOHL: May I move a vote of thanks to Mr. Zeckendorf?

Agreed.

I want to state before we rise that considerable references have been made to letters and as it was required in the early part of the proceedings this morning, that the letters be produced, I am going to ask that they be produced in the future. If you have not got the letters do not refer to them.

Mr. HOLOWACH: Will he be here this afternoon?

The CHAIRMAN: No.

*By Mr. Holowach:*

Q. Could I put a question to him then? It is of general interest to Canadians. Am I right in assuming that in the event Canada as a government does not occupy space in this building under consideration, that steps are going to be taken to eliminate the name Canada House and the coat of arms and so forth that are in the entrance to the structure.—A. We are not in control. We have a half interest. I can only speak for what we advised our associates. We feel the rejection of this property by the Canadian government makes it rather

presumptuous now to continue the name of Canada House, which would be destructive to the ultimate economical result. You have to go out and rent this to general agencies, and I think it would be deflationary to get Canadian firms in there, and I would urge our associates to consider changing the name.

*By Mr. Kucherepa:*

Q. Could the witness answer this question: when could Canada be provided with quarters in this Canada House?—A. The building will have its certificate of occupancy sometime between now and spring—by April.

*By Mr. Garland:*

Q. So that there will be no misunderstanding, it is understood that the letters that are read in full will be produced, is that what you said a few moments ago?

The CHAIRMAN: There have been references made to letters.

Mr. SMITH (*Calgary South*): There are two letters in particular which apparently were written to Mr. Lawson by the former Prime Minister which suggest some form of agreement. We have already tabled the letter of intent. I think these two letters should also be included.

Mr. GARLAND: I would suggest, Mr. Chairman, only that when letters are read in full they become part of our record.

The CHAIRMAN: Yes.

Mr. GARLAND: You might quote from a newspaper, but you would not publish the whole newspaper. If you referred only to a quotation in the paper you would not publish the whole thing.

The CHAIRMAN: Yes, but the stand I am taking is this: when you refer to a letter and certain parts, all of it does not become part of our record. I do not consider that as adequate.

Mr. HENDERSON: If I understand you, Mr. Chairman, your position is, if a letter is referred to, it must be deposited.

The CHAIRMAN: No. In respect of the letters referred to in the past, it was intimated to us that they would be produced and should be produced.

Mr. CRESTOHL: Mr. Lawson was very careful to point out, when he quoted from those letters, that those were letters written to him personally. I do not think they should be put in when he quotes only part of such a letter, unless someone doubts that such a letter was written. He has invited the members of this committee to verify the facts. There may be some very personal and private matters in this type of correspondence that are not the affairs of this committee. Mr. Lawson has suggested that he is ready to file the pertinent portions of the letters. I think we should allow those portions to be reported in the minutes of *Hansard*, and let that suffice.

Mr. SMITH (*Calgary South*): Mr. Chairman, the only point I am bringing up is this: where it is stated that, in Mr. Lawson's opinion, it is an agreement between the Prime Minister of Canada and Mr. Lawson, certainly that should be part of the record, just as the letter of intent, written by the under-secretary was included.

Mr. CRESTOHL: He did not say the letter constituted an agreement. He said that the paragraph he quoted did, and he invites you to examine the letter to see that such a document exists.

Mr. STICK: I suggest we adjourn for lunch and take up the question of letters afterwards.

Mr. KUCHEREPA: One more question to the witness before he goes.



*By Mr. Kucherepa:*

Q. In regard to this contemplated scheme of Canada House there is a question of partitions. You say that the partitioning could be done by April?—A. If it is acted upon immediately.

Q. \$200,000 worth?—A. Yes.

Mr. KNOWLES (*Winnipeg North Centre*): Mr. Chairman, before the suggestion is made about adjourning, and a decision made as to when we are going to meet again, just so that it will be clear, there is a general agreement that, unless someone has questions to ask Mr. Zeckendorf, we should not ask him to stay.

An Hon. MEMBER: That is established.

Mr. KNOWLES (*Winnipeg North Centre*): That is established, yes. What about Mr. Lawson?

Mr. LAWSON: Gentlemen, I came up here for one purpose, and if you want me to stay a month I will.

Mr. KNOWLES (*Winnipeg North Centre*): I am particularly interested in the telegram you were going to get from Mr. Frost.

Mr. LAWSON: I was going to phone as soon as I got out of here this morning.

Mr. STICK: I move we adjourn, Mr. Chairman.

Mr. KNOWLES (*Winnipeg North Centre*): Mr. Walker would like to be assured of that.

Mr. WALKER: You would like to be assured of that too, would you not?

Mr. CARDIN: Could I ask if the minister will be here this afternoon?

Mr. SMITH (*Hastings-Frontenac*): This afternoon I have to meet the Prime Minister of Laos. I cannot tell the committee how long that will take.

Mr. KNOWLES (*Winnipeg North Centre*): Let us meet at three o'clock.

Mr. SMITH (*Hastings-Frontenac*): I will be back as soon as I finish.

Mr. SMITH (*Calgary South*): Could I clear up this question of meeting again? Surely we can meet before three o'clock? There are a number of other witnesses to be heard.

Mr. MACNAUGHTON: We would like to have the minister here.

Mr. SMITH (*Calgary South*): I agree, but we can carry on with the other witnesses.

The CHAIRMAN: There were two motions proposed. One motion was proposed by Mr. Smith, but it was not seconded.

Mr. McCLEAVE: I have seconded it.

The CHAIRMAN: It was moved by Mr. Smith (*Calgary South*), seconded by Mr. McCleave, that the letters referred to be produced as evidence.

An Hon. MEMBER: I object.

Some Hon. MEMBERS: Agreed.

Some Hon. MEMBERS: No, no.

Mr. SMITH (*Calgary South*): Those letters that are not marked "personal and confidential" should be produced.

Mr. WALKER: They should be produced in full.

Mr. LAWSON: Gentlemen, in respect of those letters, would it be just as satisfactory if two or three of your members sat down with me right now, if you wish, or at any time, and go over them to compare them with my statements?

Mr. KNOWLES (*Winnipeg North Centre*): How about referring the matter to the steering committee, Mr. Chairman?

The CHAIRMAN: That is a good suggestion. There is a motion to adjourn. We shall meet again at 3 o'clock.



## AFTERNOON SESSION

FRIDAY,  
January 17th, 1958.  
3:00 P.M.

The CHAIRMAN: If the committee will come to order, we will now continue with Mr. Lawson's statement and the questions.

Mr. McCLEAVE: I had a question before the witness left the chair, Mr. Chairman, and that was:

(a) a letter to Mr. St-Laurent dated December 14, 1954 using the words, "We might", and

(b) the fact that 28 persons subscribed \$100,000 earlier in 1955 and the witness stated, "Knowing they had the blessings of Ottawa".

I was wondering how he could reconcile the question in the letter of Mr. St. Laurent with the phrase "Knowing they had the blessings of Ottawa".

The Honourable Ray Lawson, former Lieutenant-Governor of the Province of Ontario and subsequently Canadian Consul General, New York, recalled:

Mr. LAWSON: Well, you heard the first statement that I said where the Prime Minister at that time said, "I would be very happy if you took the initiative of setting up the kind of committee mentioned in your letter. I would be quite willing to write a personal letter as a Canadian to each one of the members of that committee to congratulate him and to thank him for his interest in the undertaking and for the benefit that I think it would ultimately provide without cost to the government of Canada".

*By Mr. McCleave:*

Q. What was the date of that, sir?—A. January 29, 1954. Is that the date you asked?

Q. Well, it was something later on in the year, December 14, 1954.—A. That is all right. "Mr. Pearson has told me of your desire to have some written statement relative to the government's position on this project. We appreciate the importance of such an undertaking to Canada not only because of its publicity value but also because it will facilitate Canadian activities in New York. However, to confirm what I have indicated to you verbally while the government will not agree now to the common stock in the company being held in the name of a trust company for the government of Canada, it will no doubt be willing to discuss an acceptance of the common stock after the preferred stock and mortgage obligations have been retired."

Q. What was the date of that letter?—A. The letter was dated December 14, 1954.

Q. And that is signed by Mr. St. Laurent?—A. From Mr. St. Laurent.

Q. Does that also contain the remarks quoted by the secretary that we "might be interested inasmuch as —"—A. "— I have seen your letters of December 4 and 6 to Mr. Cross covering some general points in connection with your project. I think the location I considered and the type of building are matters that might be appropriately left for a decision by the sponsors of this project and to yourself as you no doubt are better aware of the available sites in the city. Certainly Mr. Pearson felt that the sites you showed him would be satisfactory."

Now he also says that "We might be interested inasmuch as one-tenth of the space in a building that had about 150,000 square feet. As to the allocation of that space I think it would be difficult to solve that problem until space is

actually available and rentals known so that the departments and agencies interested might consider their selection in the light of their existing requirements."

"In my same letter I stated that the government would be disposed to enter into a long-term lease at competitive rates and even have the rentals subject to adjustment, say every five years, to keep in line with prevailing rental values."

Mr. SMITH (*Calgary South*): I assume, Mr. Chairman, in your ruling that any reference to these letters will be included.

The WITNESS: I would rather not leave these letters. I do not know why they should be left. They are personal letters. I would be very glad to show them to you.

Mr. MACNAUGHTON: There was no ruling, was there?

The CHAIRMAN: There was an agreement just before we rose at 1:30, that the steering committee would look these letters over.

Mr. SMITH (*Calgary South*): When does the steering committee meet?

The CHAIRMAN: At the conclusion of this sitting, this afternoon or this evening. What now may be the wish of the steering committee?

The WITNESS: There is another article in this letter. "I would appreciate your suggestion that the sponsors would be willing to discuss the details of the building with the representative of the Department of Public Works. I feel that if this were done, the discussion should be restricted to the type of accommodation that might be required by the government in order to avoid the impression of a greater concern with the whole project than the government in fact is prepared to accept."

Mr. KUCHEREPA: I would like to ask the witness a question and that is relative to the time of the letter of intent of October 19, 1956.

Mr. CANNON: Before you go on to another letter, I would like to ask the witness a question in connection with the letter he has just read. I am referring to page four of the report of the statement you submitted. There are the words, between quotation marks at the beginning of page four in the same letter, beginning with the words, "We might". Is that the same letter or a different letter?

The WITNESS: I think this letter is the same, "We might be interested in as much as one-tenth of the space in a building."

Mr. CANNON: But at the beginning of that, the words "might apply" at the top of the page.

Mr. KUCHEREPA: I do not think the witness has a copy of this.

Mr. SMITH (*Calgary South*): This is the minister's copy.

The WITNESS: Yes, I had one sample but I do not know where it is now.

Mr. CANNON: I mean the minister's statement of this morning on page four beginning, "My colleagues to make any commitment", are they in the same letter as the paragraph beginning with the words lower down on page four.

Mr. KUCHEREPA: Those words were made in the House of Commons. Now, back to the question I was asking, Mr. Chairman, of the witness, on page two of Mr. Zeckendorf's report at the bottom, it says, "In September, 1956, I was approached on behalf of the sponsoring group and asked to participate as a principal in the project inasmuch as the original group was encountering difficulties in the financing and construction of the property. The reasons for these difficulties were chiefly two: increased costs and a severe tightening of the money market. Webb and Knapp initiated not less than five separate

negotiations in an attempt to get local real estate investors to participate in the project for investment or speculative purposes. Having failed in these efforts, Webb and Knapp consented to take on a 50 per cent interest in Canada House and agreed to lend the joint venture sufficient additional funds to insure completion of the building."

Now, Mr. Chairman, the letter of intent before us was written on October 19, 1956 and in September, 1956, this took place where Webb and Knapp came into the picture and I would like to ask the witness if the government of the time was aware of the fact that Webb and Knapp were coming into the picture on this financial problem and difficulty that was facing the group.

The WITNESS: Very definitely. I talked to Mr. St. Laurent in Toronto. After our conversation, I wrote him a letter of my interpretation of that. He wrote back and made a few changes in it, minor things, one thing I said of the government's interest in that letter. I know he referred back to the contractual rights of the government for the space that they would require and for additional space that the departments might want from time to time.

*By Mr. Kucherepa:*

Q. Was Webb and Knapp acquainted with the fact that the government might participate in this venture, at this time?—A. That they were coming in as a tenant?

Q. Yes.—A. Yes.

Q. They were assured of that?—A. I told them when I first talked to Mr. Zeckendorf about this before he even thought of coming into it. When I talked to him about it that I wanted it for Canada House he was very anxious to cooperate.

Q. I mean would the government take this space?—A. Mr. Carswell, and my lawyer from Toronto—I was ill at that time—and my lawyer, Mr. Tory and Mr. Carswell were at that meeting in New York and they made that arrangement with Mr. Zeckendorf.

Q. Based on the assurances from the then Prime Minister?—A. With the letter of intent also, yes.

Q. The letter of intent came up after that?—A. No, before. This was in February. I think the agreement with Mr. Zeckendorf was in February a year ago.

*By Mr. Crestohl:*

Q. Although in the opinions of some, there was no legal commitment by the government. To what extent did you consider all this correspondence and all conversations with Mr. St. Laurent as a moral commitment?—A. What extent?

Q. Yes.—A. Absolutely. I do not think when he made certain statements and said in a letter, "I would appreciate it as a Canadian if you would take the initiative and go to get these people. I think they will find that all that will be required is to lend their prestige and credit."

Q. And do you know as a matter of fact whether letters were written to these Canadians?—A. No, they were not. I did not ask them to write.

*By Mr. McCleave:*

Q. That letter you quoted, that was Mr. St. Laurent in his capacity as a private citizen?—A. Yes, in some letters he said, "as a Canadian", in some letters he did not.

Mr. STEWART (Winnipeg North): I wonder if I could ask Mr. Lawson one or two questions arising out of the statement he made just before lunch



referring to the Canadian Club in New York. You said, of course, this is not a Canadian Club. I am inclined to agree with him that I am not a witness, he is the witness, if he would agree to give his reasons for that statement.

**The WITNESS:** I am glad to answer that. I understand the Canadian Club in New York, I never belonged to it but when I went to New York as Consul General, I was given the honorary membership during my term of office there. I understand that 55 per cent of the members must have Canadian connections, not more. They keep that in mind more or less as a restricted club. When that came up and they went out of the deal, I took that up with the government here, and said, "Did it make any difference to them", and they said, "No." They said "No" very gladly. I can understand their reasons. The Canadian Club have some very strict racial rules.

**Q.** That is the point I want to get at. I heard it said may be in 1949 that this so-called Canadian Club would not permit Jews as members. We could not have an outfit such as this in Canada House in New York, would you agree with me? This so-called Canadian Club does not permit Jews as members. That is part of the racialism and therefore we could not have a club like that in Canada House in New York. Would you agree with that?—**A.** Yes, absolutely.

*By Mr. McCleave:*

**Q.** Is it a fact that they do not permit Jews as members?—**A.** No. They have one to my knowledge. I do not know how he got in.

**Mr. SMITH (Calgary South):** Mr. Stewart suggested "we". Who is he suggesting by "we"?

**Mr. STEWART (Winnipeg North):** Canada House and the Canadian people in New York would not welcome a so called Canadian Club which had racial bars and I do not think we would want any part of that.

**Mr. SMITH (Calgary South):** In other words the sponsors of Canada House would not recommend it?

**Mr. STEWART (Winnipeg North):** Yes.

**The WITNESS:** We did not have to consider that, but when it was brought up I was not too disappointed about the Canadian Club not coming in owing to that. We could not very well put out a sign "No Jews Admitted".

*By Mr. Crestohl:*

**Q.** Would you think that I as a Jew and even as a member of the House of Commons, might be barred membership in the Canadian Club in New York?—**A.** I would think so. Yes. I am not a member of the Canadian Club, but I would think so. Yes.

**Mr. MACNAUGHTON:** I am a member and I have on many occasions entertained Jewish friends of mine from Montreal and New York in the club.

**Mr. CRESTOHL:** As members?

**Mr. MACNAUGHTON:** No. As guests.

**Mr. CRESTOHL:** We are speaking about membership.

**Mr. STEWART (Winnipeg North):** I heard this many years ago.

*By Mr. Knowles (Winnipeg North Centre):*

**Q.** Does the Canadian Club in New York have any connection with the association of Canadian Clubs in Canada.—**A.** No.

**Mr. CRESTOHL:** I am a member of the Canadian Club in Canada and I know many fellow Jews who are members of the Canadian Club in Canada.

**Mr. STICK:** But this is a phony club in New York.



Mr. MACNAUGHTON: I do not think we should let that go by. Thirty or forty years ago a group of Canadians in New York got together and formed a Canadian Club and subsequently incorporated it. Since that time the vast majority of the members have become more and more American and they do everything possible to promote relations with Canada.

Mr. CRESTOHL: We have heard enough about the Canadian Club, New York. Let us get on with our business.

Mr. CANNON: With the explanations we have received we understand what Mr. Lawson meant when he said the Canadian Club in New York is not a Canadian club, because no truly Canadian club would have the discrimination which this club has.

Mr. LENNARD: That is just hearsay.

*By Mr. Morris:*

Q. We should come back to what seems to be the kernel of this matter, and that is some of these letters. I understand, by general consensus, these things have been referred to the steering committee. What I want to know is are we to assume the witness is telling us in part that the government of Canada in his view, entered into a moral obligation on the basis of a letter written privately from one man to another?—A. I would say yes. Just a minute; they are not all like that. I have other letters here. We had a lot of correspondence and a lot of conversations over this.

Q. Are you suggesting that in letters in which he identified himself as a private Canadian, that a man could commit the government of Canada to some course of action or moral obligation? Are you suggesting to us he could, in your mind, bind the government of Canada in a letter identifying himself as a private Canadian?—A. I think our friend is absolutely right, that the Prime Minister or a man in public life cannot take the attitude, one minute I am Colonel Somebody here and Jim Jones here.

Q. Then in these letters we are to assume that you recognize the author of these letters, however he may have described himself, as the head of the government.—A. How could I think otherwise?

Q. We all understand there are letters which are confidential, but you are suggesting that in the bulk of these letters, in your mind, there is a moral obligation entered into by the head of the previous government, but you say that you do not want some of these letters to be filed in the evidence.—A. They were personal letters. If I were a president of an industrial company in Canada and was down in some other place and wrote a letter in no connection I cannot dissociate myself with the interest I have. It is the main interest.

Q. Are you telling us that you think the government of Canada undertook a moral obligation in a letter which you regard as private?—A. Yes.

Q. And that the government of Canada heretofore has entered into moral obligations, in your view, on the basis of private communications?—A. I think so. Yes.

*By Mr. Knowles (Winnipeg North Centre):*

Q. On what letterhead was the letter written?—A. The office of the Prime Minister.

*By Mr. Morris:*

Q. I am just asking for information. Are we to assume that the Prime Minister undertook, according to this witness, a moral obligation on the basis of a personal and private letter to one individual?

Mr. CRESTOHL: As Prime Minister of Canada?

Mr. MORRIS: And entered into an agreement that is personal and cannot be filed?

Mr. STEWART (Winnipeg North): Is it not a fact that a year ago the Prime Minister of Canada, as a private individual, wrote a letter to another private individual which the Conservative party said he could not do?

Mr. KNOWLES (Winnipeg North Centre): It was the present Prime Minister who said that the former Prime Minister could not bifurcate himself.

*By Mr. Morris:*

Q. I am asking this witness whether or not he says the government of Canada undertook an obligation on the basis of a private letter to a citizen?—A. I do not want these letters to appear in *Hansard* or for the public. If you want to see them, come and see them.

Q. Unless those letters can be filed in this committee I regard them as personal and confidential and do not want to see them.

*By Mr. Smith (Calgary South):*

Q. You agree they are important to the discussion?—A. I took parts out of them.

Mr. MACNAUGHTON: We had a ruling on this.

Mr. MORRIS: No. I am speaking on that matter now.

*By Mr. Walker:*

Q. Would you agree that what was said in *Hansard* would be correct?—A. I have not read *Hansard*.

Q. This is Mr. St. Laurent at pages 5228 and 5229. He said to Mr. Lawson:

If you have friends who think that a building would be a good thing and would not involve them in any loss, they will have to do it on their own without there being any kind of a commitment by the Canadian government.

Then he says:

I even told him that I would not even discuss the matter with my colleagues because we did not want in any way to become involved in the project. We cannot prevent them from saying, if they choose, that they are prepared to have a long-term outstanding option in favour of the government to purchase. But I was shown the notes of what he intended to say, and I asked him to make a change where he intended to say that options had been offered to the government. I said: No, you have not offered anything to the government. I am not the government and there has been no proposal submitted to the government.

Mr. MACNAUGHTON: What is the date of that?

Mr. WALKER: May 28, 1954. No change in that statement has ever been made by the late Prime Minister.

Mr. MACNAUGHTON: Except the letter of intention.

Mr. WALKER: It is not from the Prime Minister but just from the civil service.

*By Mr. McGee:*

Q. Was that letter addressed from the former Prime Minister as a private citizen to you as a private citizen or as the Consul General?—A. One was addressed to me at Oakville and the other as Consul General. I have two addressed to me as Consul General. For two of those letters I was Consul General at that time. The third one was after I had resigned.

Q. In scouting for the twenty-eight persons who agreed to put up \$100,000 a piece, did you act on the private letter received from Mr. St. Laurent or on his public letter of December 14?—A. I acted on the private letter. That was the only one I had when I started interviewing people when they came to New York. People would come to New York and I would speak to them about Canada House. One part of a letter says: "As a Canadian citizen I would be very happy if you took the initiative of setting up the kind of a committee mentioned in your letter. I would be quite willing to write a personal letter, as a Canadian, to each one of the members of that committee to congratulate him and thank him for his interest in the undertaking and for the benefit that I think it would ultimately provide, without cost, to the government of Canada". I got that letter. I thought of it for some time. I was not looking to start anything like this. There is a letter from the man who appointed me and if any of you gentlemen were working for a company and the general manager wrote you a letter like that, whether as a president or friend, and said, "I would be happy if you took the initiative," what would you do?

*By Mr. McCleave:*

Q. What did you do about the letter of December 14, 1954, which as you told me this morning preceded the subscription of this \$2,800,000.—A. That letter—

Q. Dated December 14, 1954, in which the Prime Minister stated, "I indicated we might be interested in as much as one-tenth of the space in a building." Did you tell these twenty-eight subscribers that there was an indication from the government that they were not binding themselves to come in on this deal at that time?—A. Yes, that is right.

Q. They acted on the first letter but not on the letter of December 14?—A. My work was completed as far as getting the sponsors there.

"Mr. Pearson has told me of your desire to have some written statement relative to the government's position on this project. We appreciate the importance of such an undertaking to Canada, not only because of its publicity value but also because it will facilitate Canadian activities in New York. However, to confirm what I have indicated to you verbally, while the government will not agree now to the common stock in the company being held in the name of a trust company for the government of Canada, it would no doubt be willing to discuss the acceptance of the common stock after the preferred stock and mortgage obligations have been retired."

*By Mr. Crestohl:*

Q. What would be a fair statement to make that all this and all these conversations you had prior to October 19, 1956, were all negotiations and parleys in trying to develop this whole idea which was ultimately culminated by the lack of commitment, as you interpret it, of October 19, 1956?—A. Correct.

*By Mr. Cannon:*

Q. In reading this extract from a letter that Mr. St. Laurent wrote to you on December 14, 1954, reading as follows, "We might be interested in as much as one-tenth of the space in a building that had 150,000 square feet".—A. That is 15,000 square feet. I read that as meaning that "we might agree" with the "we might" applying, not to the intention of renting but to the area. We might be interested in up to one-tenth of the space in the building, that we might be interested in more, and might not be interested in any less. The whole point is that the words "we might" apply to the area.

Q. They only apply to the area?—A. You are quite right; that was my interpretation of the letter.



*By Mr. Macnaughton:*

Q. The government might take as much as 10 per cent?—A. The ground cost was so much and the demolition of the old buildings and the air rights and to figure it up we had to go just as high with as many square feet as we could get.

*By Mr. Kucherepa:*

Q. Could you tell us when was the first time Webb and Knapp indicated to you that they would be (1) willing to sell at cost their equity in this building, or (2) as was presented this morning, would be prepared after the debentures had been paid back to grant the building to the Dominion of Canada?—A. I might say while all these negotiations were going on I was out of circulation. My lawyer was there; the general manager of the building was there, and others were there. I could have had Mr. Tory down here.

Q. Referring to your statement of December 13, 1957, which you issued in New York City in which you stated in your remarks "If it is a question as to the national character of the building Webb and Knapp will be delighted to sell its interest in the property to the government of Canada or Canadian citizens at cost." When did you first get that intimation from Webb and Knapp?—A. About a month after this. I went to New York to qualify some of the things in connection with it.

Q. A month before?—A. A month after; I was not able to go at the time of this agreement. We were short of money. We had a hole in the ground. I was incapacitated. I went there as quickly as I could and talked to Mr. Zeckendorf. Mr. Zeckendorf was there and his son also. He said any time that you want to take this out of this situation at actual cost, let us know.

Q. Could you give us a date?—A. I would say April 1. That would be a year ago.

Q. April, 1957?—A. April 1, 1957. That would be approximate.

Q. Was that after the previous government had decided not to use this building for the purpose of the permanent United Nations?—A. I was not there when it was decided.

Q. April, 1957?—A. That must have been about the same time—I did not know about that.

*By Mr. Walker:*

Q. May I ask you this question: I want to be perfectly fair with you because we all know your reputation, it is an excellent one, and it has nothing whatever to do with you personally—now you had a wonderful conception of this building, this Canada House. Let us all concede that. I ask you if you were the government would you not feel that the situation had materially changed from what you yourself had indicated it would be? I mention these points. In other words, the situation changed from your original plan (1) that you did not make it a centre because the Canadian companies would not or did not come in; that is the first point. Can you give me your answer? The second point is this: I have found on investigation, and the evidence will be given this afternoon, that the rental of your premises, excellent as they were, would cost the government of Canada a great deal more than locating in Rockefeller Centre, in addition to which there would be the expenditure of \$100,000 to \$200,000 partitioning. The people that are renting it surely considered it material that the consul-general wanted the third and fourth floors of this excellent building because one of the important points was the view which you had, that beautiful garden outside the museum. That is what you anticipated yourself you would have and you did not know that the museum would be building up there, but that is another point. Do you follow



me? And, therefore, I say that taking all those things into consideration do you not think the government has a right to make up its own mind as to whether or not it is going to enter into a lease with you?

Mr. MACNAUGHTON: Point 5 is June 10.

*By Mr. Walker:*

Q. Everything was done before June 10 except the final point of being notified by you that there would be a wall on the west side instead of the garden of the museum. I ask you as a business man. You are not in a legal contract. No lease has been signed. All these eventualities transpired after you had painted a very rosy picture and you strove to bring it about but it did not materialize?—A. The government was made aware of things as they came along. As soon as this letter came in from the museum Mr. Carswell went to the government about it immediately. There was not anything definite about that. It is not in the architects' plans and there is not anything, but as I suggested this morning the Department of Northern Affairs are spending upwards of \$2 million a year to bring tourists to Canada. They have a tourist office on 49th street which thousands of people pass a year. Here is a place on 5th avenue where millions of people pass it a year and for the \$2 million they spend in advertising, if they spent a quarter of it in this place here, they would be getting good value compared to the advertising they are doing. What I mean is this, and it is an outstanding case and as a business man I cannot see how they could afford not to take it. I cannot see why they are squabbling about it. If they do not want it some other government will take it.

*By Mr. Crestohl:*

Q. Do you know of any reason from the standpoint of architecture, patriotism, commercialism, advertising or public relations value as to why the government of Canada should not go through with that project.—A. I do not know at all, sir. I am glad to have that question so that I can answer it.

Q. You are of the opinion that they should go through with it.—A. Yes. It seems so ridiculous. It is not in my mind; it is in the minds of thousands of people, and Mr. Zeckendorf's, too. I cannot understand it.

*By Mr. Smith (Calgary South):*

Q. You do not need any help for that question.—A. No. I cannot understand this.

*By Mr. Knowles:*

Q. Mr. Walker has asked Mr. Lawson whether certain factors to which he related would make any material difference.—A. Not a bit.

Q. I wonder whether Mr. Lawson and Mr. Walker could not agree that Mr. Zeckendorf's statement this morning has made a really quite material difference.—A. Mr. Zeckendorf cleared up a lot of things and I was glad he did.

Q. Does Mr. Walker agree he has changed the picture?

Mr. WALKER: Mr. Zeckendorf is a supreme promoter. He cannot explain why any of these Canadian companies refused to come into Canada House. All he could do was to predict the future. They have already refused to come in. Mr. Knowles, we want that question answered. Why should the government pay a higher rent? Why should they pay \$200,000, and why should they go there when there is a blank wall?

Mr. CRESTOHL: They get more benefit.

Mr. KNOWLES (Winnipeg North Centre): Apparently Mr. Walker did not hear Mr. Zeckendorf say this morning—going along with the Canadian sponsors

—that they were going to make a gift to the Canadian government, at a certain point, of their full equity in that building. That seems to be a material difference.

*By Mr. Crestohl:*

Q. There seems to be some doubt as to whether the Canadian corporations are going into that building. In regard to the list of names that you gave us this morning, were those Canadians who were concerned personally, or are they men connected with Canadian industry and Canadian interests?—A. They are connected with Canadian industry. I would just like to give you one example. A lot of these people have leases. They did not see the building going up. When the building was up, and these stories about the Canadian government going out started to get around, they were worried about it. This morning I showed you the letter from the company in Montreal. That is an example.

Mr. WALKER: Someone else thought the government would go out?

Mr. CRESTOHL: Wait a minute, let him answer.

The WITNESS: This was one of our large Canadian companies that definitely thought about going into this building. These figures might not be exactly right, but they had about 40 employees in their office down in the lower portion of Manhattan. The manager gave me the understanding that he would like to come into the building, but he did not commit himself. He put it up to the employees, the men and women in the office. Of the 40, there were 25 who said they preferred to stay where they were, and 15 said they would like to go to Canada House. They checked on these 15 people and found that half of them lived just across the river in Connecticut where they had easy access. Over the next few years the others will change. Mr. Zeckendorf said this morning that within five or ten years many Canadians will come into this building if it is Canada House.

*By Mr. Crestohl:*

Q. Could you give us the names of the industrial concerns of these gentlemen, who have indicated that they are ready to come in, and in fact have paid their money?—A. I do not know who has paid money in but I know that the Abitibi Paper Company came in first, and then the Rio Tinto Mining Company took a whole floor.

*By Mr. Macnaughton:*

Q. And the Southern Canada Power Company?—A. The Southern Canada Power Company, correct.

Q. And the Mannesman Tube Company. This is on page 5 of Mr. Zeckendorf's statement.

*By Mr. Crestohl:*

Q. Those are the names that you read this morning?—A. Yes.

Q. Can you tell me what companies they are connected with?—A. The Mannesman Tube Company is a big tube company that has opened up in our country. John Tooley is one of the officers of it. The Rio Tinto Mining Company has the Honourable Mr. Winters as president.

*By Mr. Smith (Calgary South):*

Q. There are three companies?—A. And the Southern Canada Power Company. There are a lot of others. I have a letter here from the Consolidated Quebec Gold Mining and Metals Corporation. It was written on December 31,

1957, and sent to me back home in Oakville, was sent on to Florida, and I received it back here. The letter reads in part as follows:

Just a word to inquire what has happened at Canada House. I was contemplating the leasing of office space, but now I am a little wary and, frankly, some of my friends in New York who have taken space are quite concerned.

It appears that the splendid plan you originally proposed has been changed considerably. Our new government has certainly not added to the luxurious monument that you planned.

If you care to divulge any information which I can pass on to my friends to relieve their worries, I shall be most appreciative.

Q. Who is that from?—A. Mr. Gustave H. Rainville. He wrote, "Dear Mr. Lawson". I know him, but not personally.

Q. How does he enter into this picture?—A. The Consolidated Quebec Gold Mining and Metals Corporation has interests in several different things, I believe, but this is written on Consolidated Quebec Gold Mining and Metals Corporation letterhead, written December 31, 1957.

Q. I suppose this letter will also be submitted to the steering committee?—A. You can have this letter, I do not want it. I answered it on the 17th and told him I was coming up here, and would be glad to write him after.

Q. Providing there is no objection to the other ones, could we refer it to the steering committee, the same as the others?—A. I want to mention that I have not been in close touch with this for some time. We had a general manager to look after it. We had a rental agent in New York, Mr. Zeckendorf, to look after these details. Mr. Cushman and Mr. Zeckendorf again, told me that they had several inquiries from people coming in, who wanted to know if the Canadian government had signed their leases, and as soon as they had they would contact them.

*By Mr. McCleave:*

Q. You mentioned that Mr. Burton, and I think Mr. Eaton, had been contributors of \$100,000 each. I believe both these companies have purchasing offices in New York, and neither of those companies—Eaton's or Simpsons—are going into this building?—A. They definitely said in the beginning, when they put their money in, that they had to go down to the market where their business is—that is around 30th street, I think.

Q. So location is important?—A. Location is important to them. I think they both approved of this location for Canada House.

*By Mr. Smith (Calgary South):*

Q. As far as we know, Mr. Lawson, there are only four companies actually? That is what Mr. Zeckendorf said, and he is acting as the rental agent?—A. Somebody asked me this morning about the government of Ontario. I called Mr. Frost at noon but he had left his office and will not be back until Monday. I do not want to bother him where he is now.

Q. I just want to go back to this point again. There is a suggestion that there are a considerable number of companies interested in this business. According to Mr. Zeckendorf, the rental agent, there are these four. Are there any others?

Mr. MACNAUGHTON: Four?

Mr. SMITH (*Calgary South*): Four companies who have said they are ready to go into this building. Are there any more?

Mr. CRESTOHL: There are over 25 Canadian industries who have put up their money.

Mr. SMITH (*Calgary South*): I recognize that, but that is hardly the same thing.



*By Mr. Cannon:*

Q. Mr. Lawson, I want to come back to this letter of December 14 which says:

...we might be interested in as much as one-tenth of the space in a building that had about 150,000 square feet. As to the allocation of that space, I think it would be difficult to solve that problem until space is actually available and rentals known so that the departments and agencies interested might consider their selection in the light of their existing requirements.

Some people seem to think that the words "we might" suggests that there is some doubt of the intention of the government to rent space. I suggest to you, Mr. Lawson, that the words "we might", actually affects the figure of one-tenth, and that they meant that the one-tenth might be more or might be less. I suggest that the words "we might" only apply to the area of space wanted.

A. "In my same letter I stated that the government would be disposed to enter into a long-term lease..."

Q. In that same letter?—A. Yes.

Q. That brings out my point, because otherwise there would be contradiction in the two parts of the same letter.

*By Mr. Crestohl:*

Q. Mr. Lawson, would it be a fair question to put to you as to whether, in your opinion, the change of intention in this matter had any political connotation?—A. Yes, definitely.

*By Mr. Kucherepa:*

Q. I would like to point out for the benefit of the questioner, that if he looks at page 5 of the minister's report he will find in paragraph 1 the following:

When the present government took office last June the question whether space should be rented in Canada House, New York, was immediately drawn to its attention as a result of a communication received in the department, dated June 13, advising that windows on the west side of the space being considered might be blocked out by a building on the property owned by the museum of modern art. The department...

Now, I underline this:

The department, on June 25, advised the company that this was considered to be a material change in the nature of the space offered and that the question of taking space would have to be re-examined by the government.

Let us keep the record straight.

MR. KNOWLES (*Winnipeg North Centre*): Perhaps we should have a copy of the letter which the department sent, Mr. Chairman. I am satisfied, of course, to have it referred to the steering committee.

MR. WALKER: I think that is a good idea.

THE WITNESS: There is one letter I just came across here that you might like to hear. This is a letter from the Museum of Modern Art.

The Museum of Modern Art and Canada House entered into a contract, as of April, 1956, whereby the air tower rights over the easterly end of the museum garden were sold to Canada House in order to permit the erection of a larger structure, such as is now going up. In that agreement the museum was allowed to build over the described easterly end of the garden a structure not higher than 152 feet above the curb level. There were also restrictions binding on the museum for a fire tower court in the southeast corner of the plot.



I am writing to advise you that the museum is now contemplating plans for building a small structure perhaps 40 feet wide on the described part of its garden. However, the height would be well below that allowed in the contract between us. As contemplated now this structure might be 70 feet high, or of the same height of the Whitney museum, and of a design facing the garden to match the Whitney building. Since such a structure, as now contemplated, would shut off the light of the first four floors of windows to the west, now being built into Canada House, we thought that as a courtesy, but without modifying the right of the museum to some day build up to the allowed 152 feet, we ought to advise you of our plans in this respect. We realize these plans might have some bearing on leases you make for the space with westerly exposure on the first four floors above street level.

In the absence from the country of the museum's president, I am signing this with his approval.

Sincerely yours

(Sgd) Charles Keppel.

Mr. KUCHEREPA: I would like to have the letter from the department dated June 25 produced and read at this point.

Mr. MORRIS: Mr. Chairman, a moment ago I was talking to one of my neighbours when Mr. Crestohl asked a question. I wonder if you would ask the *Hansard* reporter to repeat that to us? It has something to do with the political implications. I would like to hear it.

The WITNESS: I would rather eliminate that.

Mr. KNOWLES (*Winnipeg North Centre*): I do not think it is according to our practice to put the *Hansard* reporter on the spot.

Mr. WALKER: Mr. Lawson has already withdrawn that remark. You were only joking there, I take it?

*By Mr. Morris:*

Q. I would still like to ask this question: the minister has said, at page 4: "On October 19, 1956, a letter expressing an intent to rent space in the building was forwarded—" We had that tabled in earlier evidence given to the committee. Now, I would like to ask Mr. Lawson why it was that the government, at that time, did not conclude this agreement prior to June 10, if this was such a good deal?—A. I answered that question by saying that I was out of circulation for such a long time that I did not know.

*By Mr. Crestohl:*

Q. When you say "out of circulation" you mean because of illness?

*By Mr. Macnaughton:*

Q. You suffered a serious illness?—A. Yes.

*By Mr. Morris:*

Q. You have said that this, in your opinion, is a very good deal?—A. I cannot understand it; I may be over-enthusiastic about Canada House.

Q. You do not know and have no idea why the past government did not negotiate it over nine months?—A. Not the slightest.

*By Mr. Macnaughton:*

Q. There is nothing to prevent the present government from concluding it, is there?—A. Nothing at all.

*By Mr. Knowles (Winnipeg North Centre):*

Q. As of today the present government has even a better offer made to it!

*By Mr. McCleave:*

Q. Is it fair to say that the stand taken by Mr. Zeckendorf this morning was not made public until December 13 when they issued the statement?—A. Not made public, no, I do not think so. I did not know what was made public and what was not, when this came out.

Q. This was your statement of December 13.—A. I mentioned the other statement then.

Q. Only he said that they would be delighted to turn over their interests.—A. He told me that two or three times, first in April, a month or so after he came into the picture. I was ill at the time and just after that I went to see him particularly about that and he said that we would turn over our interests at any time for exactly what it cost us; and again in December he repeated it, and he himself this morning said it again. He made a further offer this morning. He did not previously offer to give back that equity. This was the first time he had done so and I was delighted to see it.

*By Mr. Morris:*

Q. You do not personally know the amount of space required by the various departments?—A. No.

Q. Would it be fair to ask you if in your judgment the travel bureau requirements were 1,000 square feet?—A. There is something in that letter of intention. If you have that letter I think you will see that it specifies it. That is a marvellous place, if you clock around all that building.

*By Mr. Kucherepa:*

Q. How long would it take you to retire the debt on the building?—A. We figured about 25 or 30 years, but I do not know. We are talking all around it here. As I suggested when I came here, they should have called Mr. Carswell because he knows more about it. He has been the manager of it; and further, they should have called Mr. Norman who came after I left New York. This was not a business undertaking but a straight patriotic undertaking on behalf of myself and others.

I did not follow it too closely because for a long time I was not in a position to do so. But if you call Carswell and Norman, Carswell knows the details and he has the architectural ability.

Q. We appreciate your patriotic thinking in this matter; and the thing which arises in my mind is this: this morning we received a still further offer from Mr. Zeckendorf's company, the equity which is held by the Americans in their hands, and it shows that there is no clear cut understanding.—A. There seems to have been several differences about the space to be taken during the process of negotiation between the parties involved.

*By Mr. McCleave:*

Q. You did not write of this offer after April 1957 until you had made it public in December?—A. I did not until it came out in the press and newspapers which came after me night and day from Chicago to New York wanting some information. This was not a business proposition. It was not a money making deal at any time with any person. We were all there and we always felt — I do not mind saying this — may I speak off the record?

The CHAIRMAN: No, I do not think so.

The WITNESS: May I speak so that it will not go outside this room?

The CHAIRMAN: No.

The WITNESS: All right. There are a whole lot of things in this.

*By Mr. Macnaughton:*

Q. In any event the net result was that after a period of time a free gift would be given to Canada?—A. That would be my idea when the Canada Council was formed last year. We got big money for Columbia especially and I had the idea that when it was all completed and rented I could go to the sponsors and discuss it with them and see if they would offer a permanent income or any further benefits from that to some university in New York. Rockefeller Centre in 62 years will go to Columbia university. I had the hope that one of our Toronto universities might have it free. Perhaps we should let it go to London.

*By Mr. McCleave:*

Q. There was another and further offer made after, in June?—A. What is that?

Q. Did you not set up your trust fund for help to the universities?—A. That was not official; it was something I had in mind. I can say to you now that no one wants any money from this thing.

*By Mr. Cardin:*

Q. I wonder if Mr. Lawson could tell us whether a copy of the letter he received from the Museum of Art was sent to any government department?—A. I really do not know. The first company called and said they had this letter. I said: send it to Carswell. I read it just a little while ago and gave it to someone.

Mr. SMITH (*Calgary South*): I was going to suggest, Mr. Chairman, that if there were no more questions—

The CHAIRMAN: But there are!

*By Mr. Garland:*

Q. A little earlier Mr. Walker made a very strong presentation about the importance of this loss of view of the flowers of the gardens as being a sound reason for withdrawing the Canadian government's support. It would hardly seem that that would justify withdrawal of the support of the Canadian government.

After having said that, let me ask the witness if it is not a reasonable assumption that the business of this wall was raised or used as an excuse to get out of this undertaking?—A. Let me answer you by saying that I have had in the past business experience when a man wanted to get out of an agreement and he offered about 15 reasons, usually not one of them good enough in itself. They always have a lot of small reasons. That is what I think about this letter.

*By Mr. Macnaughton:*

Q. Government employees are different from ordinary individuals in that they must have windows on four sides rather than windows on just two sides to admit sufficient light.—A. I took a tour of many buildings in New York and I found that the artificial lighting is turned on in them 90 per cent of the time, be it day or night. In fact you have it on here in this room, yet it is not a dark day.

*By Mr. Stewart (Winnipeg North):*

Q. Mr. Lawson has said on several occasions that this is not a money making proposition. As I understand it, debentures are being issued at four per cent. Is that right?—A. That is right. The mortgage with the Prudential Life is for 4 3/4 per cent.



Q. There will be a board of directors associated with this enterprise?  
—A. There is.

Q. Is there any equity capital interest, or any equity stock?—A. No, it is all free and it is in the hands of the trust company in Toronto.

Q. And the duties of the board of directors will be merely to supervise the business and to direct it?—A. That is right. In June we appointed the best man we could get as business manager and we put him in charge of it. The directors hold meetings every so often and they are following it through.

Q. Would the cost of floor space to the Canadian government be the same or more than the commercial rate for other users of the building?—A. No, I think it is about the same. We have other leases.

Q. Mr. Zeckendorf said the rate charged the government was about the same.—A. I think it would show in the leases we make.

Q. And at the end of 25 years the Canadian government gets this building with no strings attached?—A. It will be offered to the Canadian government. According to the agreement we have we would offer it to the Canadian government with no strings attached and free. But the answer was that it would be left for the government of the day to decide if they wanted it. My reply to that, to Mr. St. Laurent, was that if they did not want it, it is the feeling of the sponsors that they would turn it over to some university or probably to the Canada Council.

Q. Having regard to the evidence this morning I was rather hostile to you but I have now changed my mind completely and I wish the Tories would do the same thing.—A. Congratulations!

The CHAIRMAN: Several times we have been asked about a letter. I have been holding it in my hands and here it is. I shall read it to you. It is a telegram from the consulate general in New York dated June 25, 1957, and is marked "Restricted". It reads as follows:

Restricted.

From: Consulate General, New York, June 25, 1957.

To: External No. 1458—Priority.

Reference: Your telegram G. 182 of June 24.

Subject: Canada House.

For Matthews:

The following letter, approved by our lawyer, went forward to Juncker today. Begins:

This is in reference to your letter of June 19th last and to another letter of the same date which you addressed to the supplies and properties division of the Department of External Affairs in Ottawa.

I am directed by my government to inform you that they are unable to agree with the suggestion in your communication that a serious view need not be taken of the fact that some of the windows on the westerly side (and we gather possibly all of the windows on the westerly side of the third and fourth floors) will be blocked off.

I am also instructed to inform you that the whole question is being given consideration in Canada on as urgent a basis as circumstances in Ottawa permit. You may therefore expect a more definite communication on this matter as soon as practicable. Ends.

We are sending you a separate message on our legal position in relation to the government's letter of intention.

Scott

Mr. KNOWLES (Winnipeg North Centre): This is the letter of June 25, 1957.

The CHAIRMAN: May I look at that letter again.

Mr. SMITH (Hastings-Frontenac): It was read this morning.

The CHAIRMAN: Yes, it is dated June 25, 1957.

Mr. KNOWLES (*Winnipeg North Centre*): This is the communication that the minister referred to this morning in his document when he said that the department on June 25 advised the company. Now, when we hear the document, although it was signed by a civil servant he sends it in the name of the government. This is just as much of a statement made by the Conservative government as the letter of intent of October 19 was a commitment on the part of the Liberal government. My point, Mr. Chairman is that this cannot be deflated to a department communication. This written on the authority of the government.

The CHAIRMAN: Well, it is from the Consul General in New York.

Mr. SMITH (*Hastings-Frontenac*): I am not a witness and I have no intention of dissembling and we certainly must accept that communication of June 25 as being sent on behalf of the government. I do not use the word "department" with a view to covering anything up and I will accept that responsibility on behalf of the government.

Mr. CANNON: In view of that letter, and the fact that the writer does not agree with some other suggestion that was evidently in the letter, I think it would be interesting to the committee to have the first letter.

Mr. SMITH (*Hastings-Frontenac*): It was tabled this morning.

Mr. COLDWELL: I had this underlined for some time.

Mr. CANNON: Could I have an answer to my question?

The CHAIRMAN: This is the answer. This is also a copy of a letter of Cushman and Wakefield, Incorporated of June 14, 1957 to the Honourable H. A. Scott, Canadian Consulate General, 620 Fifth Avenue, New York, New York.

Dear Mr. Scott:

In talking this morning to Mr. Ted Young of Eggers and Higgins, Architects of Canada House, I found out that due to this 70 foot building that the museum has indicated that they might build, on what constitutes presently the garden of the museum, the 2nd, 3rd, 4th, 5th, and 6th floors would lose their westerly light if this proposed construction on the grounds of the museum materializes.

If you remember in my conversation of yesterday, I was under the impression that the 6th floor would not be affected by this situation and in discussing it this morning with the architect, to make absolutely sure of all the facts in the situation, I now have been told that the 6th floor might be affected as well.

And it is signed by J. Jacques Juncker, vice-president.

Mr. CANNON: That is not the one the other one refers to. The other one refers to a suggestion that the fact that this right to build exists next door is not a very serious matter or something like that. There must be a mistake there.

Mr. COLDWELL: I was going to ask earlier in the discussion, but the minister has more or less clarified it in my mind. The department on June 25 advised the company that this was considered to be a material change for the space offered and that the question of space would be re-examined by the company and should read, "The government" for "Department". Now I am wondering as to what extent this was previously examined, for the government took office on June 21 and on the 25th, we were told that the government advised the company that this was considered to be a material change and so on. Now what consideration could have been given to this in four days?

Mr. CRESTOHL: You do not know how fast that government works!

Mr. SMITH (*Calgary South*): In comparison with the former government, quite fast.

Mr. COLDWELL: Was any real consideration given?

Mr. KUCHEREPA: There was a communication on June 19, 1957 and the communication of June 25 was read. We have that communication.

The CHAIRMAN: That has gone also, but I think it has been quoted and it is in the record.

Mr. SMITH (*Calgary South*): Are you aware, Mr. Lawson, of any doubt by the men of the various departments, or has anyone brought to your attention some question as to whether for example the External Affairs Department or the Travel Bureau had some objections to going into this building. Are you not aware of any objections at all?

The WITNESS: Not at all.

Mr. MACNAUGHTON: I presume all the various sub-agencies did not want to leave their nice little bailiwicks.

The CHAIRMAN: I think we have quite a list of representatives from different agencies and I think the thing to do is to question them and not leave an inference as to what they might think. Are there any further questions?

Mr. HOLOWACH: Mr. Chairman, I would like to ask several questions on information that would help to clarify the picture and give us an idea of who is being hurt in this deal.

Now the witness stressed that this was not a business undertaking in the sense of the word. As a sound businessman undertaking this proposal, you surely must have considered the economic feasibility of your undertaking with or without a government lease. The first question arises on that point. Would your friends, the initial promoters, have undertaken their investment had they known that the government would not accept floor space in the building?

The WITNESS: Absolutely not. There was not one person looking for an investment in real estate in New York. They all went into it with the idea that it was something good for Canada and worked to their ultimate benefit. They had no chance of making money. They might have got four per cent interest but good Lord, you could buy government bonds for that with no risk at all, at that rate. The point I cannot seem to get across is that there was no possible profit to anybody.

Mr. MACNAUGHTON: That is commendable!

The WITNESS: There could have been no possible profit to any person.

Mr. HOLOWACH: In other words, a government lease was necessary to underwrite the economic feasibility of your undertaking?

The WITNESS: Yes and no. I would not put it that way but if the government were not going into it, we would not have bothered with it. I had lots of other things to do when I got through my position in New York, besides going into this kind of thing. I went into this sort of thing only because it was a good thing for the country.

Mr. MACNAUGHTON: For Canada?

The WITNESS: Yes.

Mr. CRESTOHL: The witness said several times it was motivated by patriotism.

The WITNESS: There was no personal motivation of any kind in this.

Mr. HOLOWACH: I can appreciate this. With investment of this size, a sizable investment of that type, you must have also considered the economic angles involved.

The WITNESS: We thought we could get our money back. We did not think of anything else. We thought we were doing something for the good of Canada. There was no selfish motive at any time.



*By Mr. Nesbitt:*

Q. I have one question, Mr. Lawson. I must apologize not being here earlier, but I was held up with the weather and the aircraft could not get here sooner. I would like to ask this. In view of what Mr. Lawson has just said, I think we would all agree that the idea in the first place was a very commendable one. What was the date of the letter of intent that was given by the former Prime Minister Rt. Hon. Louis St. Laurent?—A. October 19.

Q. What year?—A. 1956.

Q. When was this building started?—A. They started to demolish the old building probably a year before, probably in January. It took us some time to get our old tenants out before we could start demolishing and then when the buildings were demolished, we had to wait.

Q. About a year later?—A. That is right.

Q. Well, you mentioned just a moment ago, Mr. Lawson, that you would not have gone into this project had there not been some assurance that the government was going to take leases, but was there any other communication other than this letter of intent?—A. Yes. I am sorry you were not here, Mr. Nesbitt. I wonder if you would—who has all that stuff that was here this morning? I guess it has gone down to the printers—but Mr. Nesbitt, I think the best thing we can do is to go back to a letter here where, after talking with the Prime Minister, Mr. St. Laurent and going into it, he writes a long letter. "I would be very happy if you took the initiative of setting up the kind of a committee mentioned in your letter. I would be quite willing to write a personal letter as a Canadian to each one of the members of that committee to congratulate him and thank him for his interest in the undertaking and for the benefit I think it would ultimately provide without cost to the government of Canada."

That is only one thing out of the whole stock of stuff I have had here. When I got that letter I realized I was into something. I made this proposal of the idea of a Canada House at a Canadian Club dinner and they took it up with the Prime Minister. We had some correspondence on it and I suggested that he set up a committee of dollar-a-year men. His reply to that was that dollar-a-year men were not very popular with the people of Canada, but said he would appreciate it if I would go ahead and set it up.

He approved of the first list of names and others. I took the names of people that I thought could invest and finance a building of this kind in case the government would not go ahead. I had 12 at first and eventually we had 28 people throughout Canada from coast to coast that put up \$100,000 each. They got junior debentures with the interest starting after this building begins to pay when it is fully occupied. The building cost us more money than expected and with three or four strikes in the steel and stonemason trades, we got a hole in the ground and we expected to get the mortgage from the insurance company but they said "We cannot give that much until you have leases signed for so much space." That included \$6 million at 4½ per cent. We had this money in junior debentures which was subordinated to that, making a total of \$8,800,000. We had to obtain another \$1,500,000.

Q. The other thing that was in writing was the letter of intent one year later?—A. Yes. When we thought the leases were going to be signed, about that time they gave this letter of intent. I didn't worry about it. I was accustomed to letters of intent. All during wartime there were letters of intent and the uranium mines had letters of intent. One expected them to be good.

*By Mr. Fairfield:*

Q. Going back to a previous statement made by Mr. Lawson, in April of 1957 he had some intimations from Mr. Zeckendorf that Webb and Knapp would hand over their 50 per cent equity at cost to the government of the day when and if all of these funds were available and everything was paid up. Now, had he intimated to the government at that time or to the government of today any of his knowledge of that information that he received from Mr. Zeckendorf?—A. Had Mr. Zeckendorf intimated that?

Q. Yes. Or had you passed that on to this or to the previous government.—A. No. Mr. Tory of Toronto represented me. Unfortunately I could not go to the meeting but Mr. Tory and our manager, Mr. Carswell went there and arranged the deal and the extra money and Mr. Zeckendorf put up his money and obtained 50 per cent of the equity at that time. Mr. Zeckendorf told me a month later, if you want to take us out at any time let us know and we will be glad to have you take us out at cost. He did not go as far as he did this morning.

Q. To your knowledge, there has been no previous indication to either government by Webb and Knapp that the government of Canada could acquire the equity in Canada House at cost?—A. No. When I spoke to Mr. St. Laurent in November, 1956, he said: "Our government is not concerned with the equity here. That might be a case for the government of the day. What we are concerned with is our contractual right for leases and the space which we require now and any space which the departments need." I said: "Any space they want we will let them have as quickly as possible and there will be some space adjoining the government leases."

*By Mr. Knowles (Winnipeg North Centre):*

Q. May I ask what it is in terms of dollars that has now been offered to Canada as a result of what Mr. Zeckendorf said this morning? May I have the presumption of stating it as I see it and you may correct me if I am wrong. As I see it, if the offer is accepted, once the Prudential Life mortgage and other primary obligations are paid off, the Canadians who put up \$2,800,000 and the American interests who up \$1,500,000 are prepared to give their equities to Canada?—A. Yes.

Q. In other words, apart from the fact that values change, this is virtually an offer in cold cash of \$4,300,000?—A. Oh, no. We have a \$6 million mortgage from the Prudential Life as I explained at 4 and  $\frac{3}{4}$  per cent. We have \$2,800,000 from our debentures put up by sponsors at 4 per cent. We have more than \$1,500,000 put up on top of that—I do not know what the rate of interest is on that but it is low. Out of that \$1,500,000, now take all the equity. One-half is put up by the sponsors. Therefore one-half remains with the trust company and \$750,000 which Zeckendorf has put up, and that is plus what he may have to put up. He gets the equity, but he has agreed that any time we pay him that \$750,000 he will turn back the equity. That is what I understood him to say this morning.

Q. I am afraid, as a simple soul, I would have to ask you to start over again.—A. The Prudential Life are putting up \$6 million at 4 $\frac{3}{4}$  per cent on a mortgage. They will raise that mortgage when the building is 90 per cent rented. \$2,800,000 is in subordinate junior debentures put up by the 28 sponsors, 26 Canadian and 2 American. Then we had to get \$1,500,000 more. That \$1,500,000 more really carried the equity, but half of it was put up by the Canadian sponsors. The other half is with Zeckendorf for the \$750,000 he put up and he may have to put up more.

When Rockefeller Centre was built it was finished in 1930 and had no tenants. They went out and got tenants, but they lost a few million dollars.

That is what we were worrying about a year ago, that we might get into something similar here in not having the building rented and thereby have a loss. Mr. Zeckendorf says in connection with any money he puts up, if he gets his own out of it he will turn his equity over.

Q. In other words the Canadian sponsors do not expect to get back their \$100,000 each?—A. That is right.

Q. And Mr. Zeckendorf does not expect to get back his \$750,000?—A. Yes. He expects to get that back.

*By Mr. Macnaughton:*

Q. The investment today is about \$10,300,000?—A. Yes. As I understand it that will finish it.

Mr. McGEE: It was indicated it might amount to another \$1 million.

*By Mr. Knowles (Winnipeg North Centre):*

Q. I do not want to appear too stupid, but I thought from what Mr. Zeckendorf said this morning he and his associates were prepared to go along with what you, as Canadians, were prepared to do?—A. Yes.

Q. And just as you are not expecting to get back this \$2,800,000, they are not expecting to get theirs back.—A. He expects to get back the cash but no profit. He expects to get his cash back. Probably he was not clear about it but that is what I understood him to mean.

The CHAIRMAN: At this juncture I would like to interject a thought. I am in the hands of the committee, but I am wondering if you wish to meet tomorrow?

Mr. STEWART (*Winnipeg North*): Yes. If we have to.

The CHAIRMAN: What about tonight?

Mr. SMITH (*Calgary South*): We still have to hear from the witnesses from the various departments of the government.

The CHAIRMAN: We have Mr. Wood here who is the administrative assistant to the President of the Trans Canada Airlines. He is here from Montreal and possibly we could hear him and give Mr. Lawson a breather. I am only trying to be helpful.

Mr. MACNAUGHTON: I am sure the Liberal members, in view of the past week's activities, would appreciate a break until Monday.

Mr. STEWART (*Winnipeg North*): I see no reason for the break. I sympathize with the others, but I think we should get this finished.

The CHAIRMAN: Mr. Lennard.

Mr. LENNARD: I rather favoured the thought put forward by Mr. Lawson some little time ago that we hear from Mr. Norman and Mr. Carswell, and that he felt they would be much better witnesses than he was under the circumstances and he felt, and I might say apart from that, that the official report of today's proceedings will read like a crossword puzzle, and that is not the fault of the reporters, but I do agree with Mr. Lawson wholeheartedly that I do think we should not burden him with repetition but rather hear from these other two witnesses when they are able to appear.

Mr. McCLEAVE: Have we not completed the questioning of Mr. Lawson?

The CHAIRMAN: That is what I was wondering.



*By Mr. Nesbitt:*

Q. Just one further question. I may be a little slow in getting it through my head. When I came in this afternoon I understood Mr. Lawson to say in reply to a question from one member of the committee that the 28 Canadian persons who put up \$100,000 each would not have been interested in the project without the assurance that the Canadian government was going into the building, and they put up their money, as I understand it, before the letter of intent from the Prime Minister. In other words, they were going on a verbal agreement.—A. Moral commitment.

Q. Verbal commitment?—A. Yes. The money that was put up after the letter of intent, the sponsors put up another \$750,000. The mortgage was definitely fixed up after that and this money of Mr. Zeckendorf's on that letter of intent—

*By Mr. Knowles (Winnipeg North Centre):*

Q. Was this letter of intent used in any way in negotiating the mortgage?—A. I think so. I was not back in at that time. I was out of circulation for a time.

Q. Is there any way we can find out?—A. I am sure it was. I have a letter that you might be interested in hearing parts of. This is a letter that Carswell wrote but I think I had better take two or three paragraphs out of it for you:

Regarding the street floor, the arrangement we had with the government was that the Canadian travel bureau would occupy one of the stores fronting on Fifth avenue at a rental of \$36,000 per annum for 20 years. In the last year we have turned down offer after offer for this valuable store. Two other travel bureaus have approached us but we advised them we could not negotiate. The same remarks apply to the office space which we have held for over a year, now on the third and fourth floors, with an option on the fifth floor, in case they required additional space. These floors could have been rented several times over if they had not been promised to the government.

Regarding the building itself in my estimation the sponsors spent over \$1 million beyond what they need have spent to produce an ordinary high class building. We went all out to produce a building—(a) that would be a credit to Canada, and (b) that would be in keeping with the dignity of the federal government.

And then he goes on about the carvings and some other things:

May I add that copies of the government's letter of intent were filed with the Prudential Life when we arranged our first mortgage: with the Bankers Trust and the First National City Bank when we arranged our construction loan; with Webb and Knapp Incorporated; when we entered into partnership with them, and with the contractor who is erecting the building.

Q. If the Prudential Life and the banks in question accepted copies of this letter of intent, that would seem to indicate that in their view it had some legal and binding character?—A. Yes.

*By Mr. Kucherepa:*

Q. Regarding the value of the building, what would be the life of the building?—A. Oh, 100 years.

Q. What would be the value of the building in 30 years?—A. If inflation goes on as it promises to go on, it would be inestimable.

Q. Having in mind the depreciation what would be the value?—A. The property would go up. There is no property along Fifth avenue that could be purchased. In New York it is hard to get a freehold property. The most of them are leased and they come up 20 years, plus 20 years and keep going on up, but I do not think there is any way of getting the value of this.

Q. But if they go down, what?—A. How do you mean? We are facing a situation now of more or less of a recession. There is not the same demand for floor space in New York as a year ago. If we had begun this hole in the ground a year ago and sold it we could have got something out of it.

Q. What was the effect of this recession on the Rockefeller Centre you have mentioned? Did they not lose millions of dollars?—A. You can get the story of that—turning it over to Columbia university 100 years after it was built. They lost for several years when the building was being completed. There were no tenants. They went out taking a tenant out of this building and that building, taking over a five year lease, and getting a 20 year lease.

*By Mr. Smith (Calgary South):*

Q. But it is more than likely there would be no problem in renting this space. There was still a pretty high demand in spite of the slight pause in the United States.—A. Yes.

Q. My second question deals, Mr. Lawson, with this question of whether a trust company would accept as part of the negotiation for the mortgage a letter of intent. Surely with your business experience, keeping in mind the number of contracts for accommodation that have been rented in Canada and the United States it is certainly not an exception to the rule to have letters of intent not accepted, and that the only firm contract is the basis on which the negotiation is carried on.—A. I never knew of a letter of intent from a government or a private concern in my experience that was not honoured.

Q. In respect to rental accommodation?—A. I have not had much experience in rentals, but I have in business of various kinds, and every letter of intent that has been given has been honoured. I have had some rentals as well.

*By Mr. Crestohl:*

Q. I did not hear that answer, would you mind repeating it.—A. It was regarding letters of intent. I have never known of a letter of intent not being honoured. I have not had as much experience as some of the gentlemen here. During war time I had something to do with war contracts where we gave letters of intent. We had no problem at all regarding letters of intent. And all this uranium stock and that, the majority of the letters of intent were given by the government. The Eldorado company of which Mr. Bennett is head gave letters of intent to purchase and they went ahead and sold bonds and stocks on letters of intent.

Q. And they were all honoured?—A. I never knew one that was not.

Mr. LENNARD: This is merely repetition again. Can I suggest we hear from Mr. Woods.

The CHAIRMAN: I was going to suggest that. I think it is the understanding of the committee that Mr. Lawson is going to stand by. This does not preclude some questions that arise later. I also take it that it is the wish of the committee that we meet tonight and we are not meeting Saturday. We have to have Mr. Carswell and Mr. Norman here. It is hoped that we might have them on Monday. Does that meet with the wishes of the committee?

Mr. GARLAND: Would it be possible to have our next meeting on Monday.

The CHAIRMAN: Monday instead of tonight?

Mr. GARLAND: Yes.

The CHAIRMAN: There are other members from the east and west that are here every day of the week.

Mr. CRESTOHL: They have been very courteous and very considerate.

Mr. SMITH (*Calgary South*): As one member from the west I would have no objection to meeting Monday.

Mr. STEWART (*Winnipeg North*): As long as it is not Monday morning. We have a caucus.

The CHAIRMAN: May I point out to the committee that on Monday Mr. Pearson will be back. We do not meet until 2.30, and if we do not meet until 2.30 we will run into a problem there. I think every member wants to be there to honour the new Liberal leader.

Mr. KNOWLES (*Winnipeg North Centre*): It might be our last day, and we want to be there.

Mr. SMITH (*Calgary South*): I think it is a point but those are two days we should be in the House.

Mr. LENNARD: Could we not meet at 11 o'clock?

Mr. STEWART (*Winnipeg North*): Monday morning is a C.C.F. caucus.

Mr. MACNAUGHTON: Monday afternoon at 4 o'clock.

The CHAIRMAN: Mr. Macnaughton has suggested that we meet at 4 o'clock on Monday. It is going to take a little longer in the House than ordinarily.

*By Mr. Holowach:*

Q. Before Mr. Lawson leaves, could I ask a further question? Mr. Lawson, have you any figures available as to the return percentagewise of your investment or total investment in the building if all the office space was rented out in Canada House?—A. I have not anything but general information. I had two or three years ago. I have not seen it. It seemed to me that the total revenue from the building would be approximately \$1,300,000. Don't hold me to this. The expense of operating it would be something over \$900,000, or \$950,000. In other words if the building is completely rented there is a difference between that. Those profits would go to amortize the mortgage. As the mortgage is amortized each year it will be more profitable because there will be less interest to pay.

*By Mr. Morris:*

Q. Mr. Lawson, I thought I had this all straightened out until Stanley Knowles got me confused again. The \$750,000 advanced from Webb and Knapp earned, for them, 50 per cent equity?—A. Yes.

Q. Then the other \$750,000 which you have said was put up by some of the original 28 earned for them a 50 per cent equity?—A. Yes.

Q. In other words the 50 per cent equity existed by virtue of the additional \$750,000?—A. The whole equity would have existed had the sponsors decided to leave it with the trust company, and pro-rate it to the original 28 sponsors.

Q. It is pro-rated?—A. It is pro-rated to the 28 sponsors. In other words, if each of the sponsors got two shares to begin with, they each have one share now.

Q. There has been no additional security given in respect of the 28 times \$100,000 except the individual shares?—A. That is right.

Q. And the company is mortgaged to the tune of \$6 million?—A. It is in the hands of the trust company.

*By Mr. Knowles (Winnipeg North Centre):*

Q. Mr. Lawson, have you made any computation as to what would be the value of your gift to Canada, that is the \$28 hundred thousands and Mr.



Zeckendorf's \$750,000, in terms of what you would have made from that money if it had not been put up for this purpose?—A. That is a big question. If we had bought Consolidated Smelters a year ago—we better leave it where it is. It is one of those things that we do not know. One year your capital depreciation and your interest is so much, and the next year it is so much less. This is particularly true of a person who is dealing in real estate to any extent.

Mr. LENNARD: I think in all fairness we should use some common sense and give Mr. Lawson a rest. He has been through a very gruelling day.

Mr. CRESTOHL: I have an idea that he has enjoyed it.

The WITNESS: I have enjoyed it very much.

Mr. LENNARD: But after all, there is a limit.

The WITNESS: I have appreciated the opportunity of coming here. As I said some time ago, I am here to stay as long as you wish me to. However, I have given you all the facts I have, and have gone over everything that I know of. I cannot see any object in my staying here if Mr. Carswell and Mr. Norman come over. Whether they can be here Monday or not, I do not know. When they get here there will be no object in my being here too. Do not think I am running away from my pet hobby. This has been a baby of mine. It is very disappointing to see it end as it has.

Mr. MACNAUGHTON: May I suggest that we extend a vote of thanks from the committee to Mr. Lawson.

Some Hon. MEMBERS: Agreed.

The WITNESS: Gentlemen, I appreciate that very much. I wish to thank you for your kindness. I think Mr. Knowles and I had a word before, but I did not realize at eleven o'clock that the House was meeting, not being connected with things here. I do appreciate it. I would like one favour, though. I think that if the chairman sent a note to Mr. Zeckendorf he would appreciate it very much.

The CHAIRMAN: I mentioned it to him personally as he left.

The WITNESS: If you would send a note to him thanking him for his attendance, I think he would appreciate it very much, if you wouldn't mind.

Mr. MACNAUGHTON: And thank him for the offer he has made.

The WITNESS: Yes.

Mr. SMITH (*Calgary South*): The sub-committee is going to meet?

The CHAIRMAN: Yes.

Mr. LENNARD: We are going to hear from Mr. Wood, are we not?

Mr. SMITH (*Calgary South*): Yes, we want the letters that have been referred to the committee.

The CHAIRMAN: We are again faced with another problem. Mr. Field of the government travel bureau finds it impossible to be here on Monday. I am wondering if, in the time at our disposal, we could possibly hear Mr. Field and Mr. Wood?

Mr. Alan Field, Chief Canadian Government Travel Bureau, called:

The CHAIRMAN: We have Mr. Alan Field of the travel bureau here.

Mr. LENNARD: Order for goodness sakes. Let us hear the chairman.

The CHAIRMAN: He has not prepared a statement, but he is prepared to answer questions.

*By Mr. Smith (Calgary South):*

Q. I would like to ask the first question. Could you perhaps give us an opinion of the relative merits of the two locations which have been under discussion, from the travel bureau's point of view? In other words, would the travel bureau prefer to be located in the Canada House building, or in the Rockefeller Centre?—A. I think both locations are good. The location in Rockefeller Centre was chosen by Mr. Dolan in 1950 after prolonged negotiations in order to get a good place for a travel bureau centre. It is a first rate office. I am rather proud of it because I established it. The office handles about 55,000 inquiries a year itself, and we have quite a small staff. We have three people all year round and two additional clerks in the summertime. I think it is the busiest national travel bureau office in New York. I do not think any others handle any more inquiries than we handle at our present location in the Rockefeller Centre. The location of Canada House at 54th street and Fifth Avenue undoubtedly is a very good location. We are in the French building of the Rockefeller Centre at the present time. The French, British and international buildings in the Rockefeller compound are supposed to be the very best locations. A location on Fifth Avenue would also be very good. 54th street is a very excellent location.

The question that my department had in mind was whether or not the additional expense could be justified, and it was on those grounds, I think, that the government indicated its preference.

*By Mr. Crestohl:*

Q. Are you speaking for the government?—A. No, I am not, sir.

*By Mr. Lennard:*

Q. Is it an advantage for your office in its present location, to be situated on cross-town bus routes? Has that any advantage whatever?—A. I think all those things help; to be on a cross-town bus stop, as we are, and at a subway stop, as we are. By the way, there is a subway station close to the site of the Canada House at 54th street.

*By Mr. Morris:*

Q. How much space do you have in the French building?—A. We have approximately 1,000 square feet of space.

Q. Do you recall the rental of that?—A. Yes, it is approximately \$19,500 per year. When we first moved in in 1950 it was \$17,500.

Q. That is \$19.50 per square foot?—A. Per square foot per annum, yes.

Q. How much space would you require in Canada House?—A. It is \$36,000 for 1,000 square feet, which is \$36 per square foot per annum.

*By Mr. Macnaughton:*

Q. I do not think there is anyone who would dispute the advantages of your location in 1950, but this is 1958, of course. Would you consider a location on a side street as good as a location on Fifth Avenue? You talk about bus routes. There are bus routes up and down Fifth Avenue, are there not?

Mr. LENNARD: There are no cross-town bus stops on Fifth Avenue.

Mr. MACNAUGHTON: A cross-town bus stop is not as important as the north-south traffic on Fifth Avenue.

Mr. LENNARD: I think it is.

Mr. MACNAUGHTON: That is a matter of opinion.

Mr. CRESTOHL: Let us get the answer to the question.

The WITNESS: Would you mind repeating it again?

*By Mr. Macnaughton:*

Q. I was just saying that you were pointing out that you were located opposite a bus stop, which is true. You have a small, narrow and not too attractive office on 59th street?

Mr. CRESTOHL: It is 49th street.

*By Mr. Macnaughton:*

Q. I am sorry, on 49th street. It is not too well lighted. I have gone there several times and received very courteous service. You made a point as to the bus stops, but what about the bus stops on Fifth avenue? What about the quantity of people travelling up and down Fifth avenue as opposed to the cross-town traffic? Is there anything in that point?—A. I think there are more people travelling on buses on Fifth avenue.

Q. Exactly.—A. I do not like to take issue with you, Mr. Macnaughton.

Q. I am just asking for your opinion.—A. I do not think that our office in New York is unattractive. I have found that other offices have been inclined to copy our decor, and certain of our techniques of display.

Q. Let me put it this way: we can always improve even the best?—A. That is true.

Q. As a matter of fact do not the majority of aviation transportation offices, for example, and travel agencies have their offices located on Fifth avenue if possible rather than on cross-town streets?—A. Yes, there are a great many travel offices on Fifth avenue, such as Sabina, Air France and Pan American, as well as steamship companies. They are all sources that are selling tickets.

Q. And American Express and Cooks?—A. Cooks, that is true; they are on Fifth avenue.

Q. Is it your showroom which offers displays in the basement of the R.C.A. building?—A. No, that is trade and commerce. There is a trade showroom in the concourse.

Q. Would it be unfair to ask you if these displays would not be better shown in an outside room on Fifth avenue?—A. I have nothing to do with it.

*By Mr. Smith (Calgary South):*

Q. Perhaps, Mr. Field—I believe Mr. Zeckendorf made some comment this morning on the number of travel offices which were in the current location you are in now. The inference was drawn that the majority of them were on Fifth avenue whereas the others were government travel bureaus.—A. Government or national travel offices.

*By Mr. McCleave:*

Q. Is it not true that people tend to shop around when they go travelling and they go into your office and a few others in order to pick up literature?—A. We have this Rockefeller Centre for them. There are many in Rockefeller Centre which is a sort of travel centre, and they have added to its value. I would concur with the suggestion that a suite of offices on Fifth avenue in Canada House would also have a certain attraction too.

*By Mr. Nesbitt:*

Q. One of the questions I was going to ask has been asked by Mr. Smith, but for the information of the members of the committee who may not be as familiar with your offices as some of us are, on what floor of the building is your office located?—A. It is on the ground floor.

Q. And how many other governments have travel bureaus and the like in Rockefeller Centre? Could you give us a rough estimate?—A. You mean national offices?



Q. Yes.—A. There is the Japanese office, the Swiss office and the Mexican office. Those are the only ones I can recall offhand. But I think the Quebec provincial tourist office is also in Rockefeller Centre.

*By Mr. Macnaughton:*

Q. On the ground floor?—A. Yes, and it is over in the Associated Press building.

Q. That is the point. The Swiss office is on 49th street.—A. Yes, right across the street from us.

Q. It is between the plaza then and this side street?—A. The plaza is the inner avenue that leads down to the skating rink. Those offices are very nice. The Japanese office is a lovely one and it is located there. But it is true that the offices on the plaza rent for less than offices on the street; that is, they are not on the street in Rockefeller Centre.

Q. Would you be unhappy if you should have a large display window at 54th street and Fifth avenue?—A. I certainly would not.

Q. Doubling the size of what you have at the moment?—A. Yes, if it were possible.

Q. All right, that will be 15 per cent off.

*By Mr. Crestohl:*

Q. Let us say presumably at the same rate of rental, where would you prefer to have your office? Where it is now or in Canada House?—A. Well, I think you would have to take a lot of other things into consideration. Rockefeller Centre has a post office for example. It is right in the building. So you do not have any postal problem. We have a lot of mail coming and going, bags and bags of it. All we have to do is to take it downstairs in our present quarters, whereas at Canada House we would have to have a truck take it down. But if I understand your question correctly, if we were offered space at the same rate and the same rental as our present quarters, would we take it?

Q. Yes.—A. In other words—

Mr. SMITH (*Calgary South*): Would you not have a preference for Rockefeller Centre?

Mr. CRESTOHL: I would like an answer. It is a very simple question. At the same rental and the same space, where would you prefer to have your location?

The WITNESS: The answer to that is on Fifth avenue.

*By Mr. Crestohl:*

Q. Would you tell the committee why?—A. Well, you have better exposure.

Q. You mean more traffic passes before the display space?

Mr. BEST: You are answering the question.

*By Mr. Crestohl:*

Q. All right. I want an answer.—A. It is true, there would be more people passing by and more of them would see it. It would have better advertising value, as you can see, if it were on Fifth.

Q. Would the fact that you are located in a building called Canada House have any advantage over your being located in some unknown spot?

Mr. NESBITT: No, that is ridiculous!

*By Mr. Crestohl:*

Q. Would there be any advantage in having your office in a building called Canada House?

Mr. KUCHEREPA: These are hypothetical questions. We have before us buildings and figures which are not at the same price.

*By Mr. Morris:*

Q. If you had to pay for this accommodation yourself would you prefer to pay \$19 per square foot, instead of \$36?

Mr. CRESTOHL: I appreciate the fact that there could be some other examination of the points being raised, but let me get an answer from the witness. Would there be any advantage to your address being Canada House rather than some number on 49th street?

The WITNESS: Well, the address that we use is both Rockefeller Centre as our address and number 11, W 49th street which is the postal mailing address. As I say, Rockefeller Centre is a travel centre. But so far as Canada House is concerned, you are right, there would be value attached to have a travel office located in Canada House. There would be additional value in that.

Mr. KUCHEREPA: On the third or the fourth floor?

The CHAIRMAN: Order.

*By Mr. Morris:*

Q. Suppose you had to pay for this yourself. Purely as a travel man, would you rent space at Rockefeller Centre at \$19 a square foot or at the proposed Canada House at \$36 per square foot, for your purpose as a travel merchant and having to pay it out of your own pocket?—A. I think that would be very difficult for me to answer. I am supposed to give much more attention and much more care to the expenditure of public funds than I would to my own funds. I think I would like—if the office is an all round deal, and this is a deal which I think has advantages to both sides—it is a question of whether you wish to pay \$36,000 or \$19,500.

*By Mr. Smith (Calgary South):*

Q. Have you made any recommendation or has any recommendation been made by your department with respect to these two accommodations?—A. No, I would not say that we did. I think we gathered all the facts and considered them and said this is what we have in our present location and this is what we would get in another location.

Q. You did not interpret them at all?—A. No, it was my predecessor, Mr. Dolan, who interpreted them as I recall it. That was during his term as director. I came in March of 1957.

*By Mr. Macnaughton:*

Q. What is the amount spent by your department per year advertising Canada?—A. \$1,250,000 on direct advertising, magazines, and newspapers in the United States.

Q. Have you any idea as to the receipts Canada received from its tourist travel business?—A. Yes. 1957 will show that it was a record year and we should get somewhere between \$310 million and \$315 million as estimated by D.B.S., from Americans touring in Canada.

Q. That is pretty good business. Would you say therefore that \$36,000 was too much to spend for a return of \$315 million?

Mr. NESBITT: That is ridiculous!

*By Mr. Morris:*

Q. Are the returns through the national office increasing?—A. Yes, they have increased steadily every year. Every national office in New York I have dealt with has had the same experience.

Q. Would a change in locale perhaps precipitate a diminution?—A. It would be hard to say. It might at first.

*By Mr. Garland:*

Q. I am sure that the witness would agree that his job primarily is that of selling Canada and that in selling, the most important factor in any job of selling is the traffic which passes by and which is attracted to or has access to the premises in question.—A. It is an important part.

Q. In the consideration that you have given the matter, have you any figures—any comparative figures between the number of persons who pass your present location in a period of 24 hours, or a week, a month or a year, as compared with those who would pass by a Canada House location?—A. No, we have no count.

Q. Do you not think that some percentage figure would be necessary before an intelligent decision could be arrived at.—A. I think it would be useful, certainly.

*By Mr. Best:*

Q. It seems to me from an expenditure of \$1½ million on advertising in American magazines that possibly mail returns or information would be much more valuable proportionately than people passing the actual site of the office. At least there would be some comparison there.—A. Yes, of course. Our advertising is directed at 172 million people in the United States.

Q. That is just it.—A. And only a small proportion of our enquiries come through the New York office. Last year the bureau had its greatest year when it handled travel enquiries which reached a total for twelve months of somewhere around 680,000 individual queries of which about 55,000 were handled through the New York office.

Mr. McCleave: There is some question about happiness or unhappiness. I would like to ask the same question about whether you are happy where you are now.

The WITNESS: Yes, I think our space is doing a good job for us there.

*By Mr. Crestohl:*

Q. You told us, Mr. Field, why you would prefer the Fifth Avenue location. Do you not think it is sometimes wiser to spend a rental more for prospective better returns for the reasons that you gave us?—A. Yes, sir, I do and the bureau operates on that principle.

Q. And do you not think too, it is sometimes false economy to rent space at much lower rental on a street somewhere at half the rental we are paying now and that that would be false economy?—A. I agree with that.

*By Mr. Kucherepa:*

Q. Do you say you would prefer Fifth Avenue over what you have now?—A. Well, I said that a location on Fifth Avenue is better than a location not on Fifth Avenue.

Q. No. Did you say you would prefer a space on Fifth Avenue over what you have now?

Mr. LENNARD: That is hardly a fair question.



Mr. KUCHEREPA: Because I think the interpretation put on the last question is not what the witness said before. He did not say he preferred it. He considered it balanced then and considered them not from the standpoint of preference.

Mr. STEWART (Winnipeg North): It strikes me as an interested onlooker that the two sides are trying to get a witness to commit himself and the witness refuses positively to do it. I do not think we will get much farther.

Mr. CARDIN: I am afraid I will have to apologize for not knowing too much about the rental of office space in New York, but can you tell us whether or not the rental cost of \$19,500 includes furnishings or not?

The WITNESS: It does not include furnishings. You just get the bare walls of the store. To be perfectly fair about it, when we moved into Rockefeller Centre, all we got were the bare walls.

Mr. BEST: Mr. Chairman, to return to this point once again, could Mr. Field give an estimate of how much the travel and centres of, let us say Americans to Canada, is a part of the site and how much is part of correspondence? After all, this business of the site is only one of the questions. It seems to me that the volume of mail you do with correspondence factor through the whole of the United States would be many, many times larger than the actual advantage of any site in New York.

The WITNESS: From memory, I think in New York city we get about in the neighbourhood of 25,000 inquiries by telephone and about 11 to 12 thousand visits in person and the balance of the inquiries are by mail.

Mr. BEST: Something like 50,000 letters a year.

The WITNESS: That is the total number of inquiries by telephone, by person and by mail.

Mr. CARDIN: I think I understood Mr. Field to say that there are some advantages on being on Fifth Avenue. Now, could he tell us whether there would be advantages in being located in a building where all Canadian offices would be located together?

The WITNESS: Not all of the government departments are in Rockefeller Centre. We maintain a pretty close liaison. The travel bureau staff as is usual, come under the Consul General as head of the mission. We are connected to the consulate easily by elevator. We do not have to go outside to go up to visit the consulate.

*By Mr. Cardin:*

Q. It was my understanding that certain departments like the Department of Northern Affairs had intended to go into Canada House. I do not believe that that department has any offices in Rockefeller Centre.—A. Reference to the Department of Northern Affairs is made to the travel bureau. We are a branch of Northern Affairs.

*By Mr. MacEachen:*

Q. May I ask the witness whether at any time the travel bureau as an agency of the Department of Northern Affairs and National Resources made any recommendations to the minister as to whether to go into Canada House or stay out?—A. I do not think we made any recommendation for or against. We simply presented the facts and since we had not decided on the amount that is to be expended on these projects, it was up to the minister to make his decision about it.

Q. You sent in a report to the minister?—A. Well, there were various conversations, meetings and so on going back over the whole period from the time Canada House was first proposed.

Q. There was never any written report?—A. Not as such.

Q. And no definite recommendations made?—A. Not that I know of.

*By Mr. Stewart (Winnipeg North):*

Q. Can I ask Mr. Field if he has seen the new offices, or has been in the new offices in Canada House and has he examined them?—A. I have examined it in plans, but have not seen the offices. I left New York in March. I have not been in the building. The building was not finished then.

Q. I wanted to find out what the new offices and facilities were like, but if you cannot tell me, then that is all right.

*By Mr. Kucherepa:*

Q. My question would be directed to the witness as to how the 3rd and 4th floor previously suggested compares to the ground floor from which you are now operating?—A. Do you mean we would be affected by the construction of the building?

Q. In the building, yes.—A. We would not. The question is, would we be affected by the construction of the museum of modern art?

Q. No, whether it is better for your offices to be on the ground floor which has easy access to the public or the third or fourth floor as suggested?—A. The answer is the ground floor and all of our offices we have in the United States—we have offices in Chicago as well as New York and we propose to open an office in Boston. The minister has already announced this and we are considering opening an office on the west coast and all of them are to be ground floor offices.

*By Mr. Macnaughton:*

Q. Did anyone suggest that you go to the third or fourth floor?—A. I cannot recall that.

Q. It could have been the ground floor.—A. It was the ground floor as far as I know.

Q. I think we can agree I am sure, that the more we appeal to the American public, the better it will be, and following that line of reasoning, I suppose the better office you will have, the greater the appeal.—A. That is right, sir.

The CHAIRMAN: Mr. Stewart, did you get the answer to your question?

Mr. STEWART (Winnipeg North): The witness was not in a position to answer me, Mr. Chairman.

The CHAIRMAN: Any other questions?

*By Mr. Garland:*

Q. I wonder if Mr. Field—and I do not wish to embarrass him in any way—would know or be in a position to say if his predecessor also approved of this new location?—A. I do not know whether you say "approved it". He submitted and discussed with his minister and his deputy all the factors involved in staying in our present location and moving into Canada House and this was presented for an executive decision.

The CHAIRMAN: If there are no further questions, we will call Mr. Wood, the administrative assistant to the president of Trans-Canada Air Lines. He is up here from Montreal and I wish also to thank Mr. Field.

Mr. McCLEAVE: We hope you go away happy, Mr. Field.

The WITNESS: I am.

Mr. Frederick T. Wood, Administrative Assistant to the President of Trans-Canada Air Lines, called:

The CHAIRMAN: Mr. Wood does not have a prepared statement but he has, as you know, come prepared to answer questions as they relate to his particular position.

The WITNESS: I might say, Mr. Chairman, that I do not have a prepared statement. However, I might head off a lot of questions by making a few remarks.

So far as Trans-Canada Air Lines is concerned, it approached Canada House from the viewpoint of a strict realistic proposition. We learned that the Canadian government travel bureau was to take space on the ground floor of Canada House. We immediately felt that it would be a tremendous benefit to Trans-Canada Air Lines to have what we term a satellite ticket office adjacent to the Canadian government travel bureau. In consequence we approached the authorities of Canada House accordingly. We were offered an area of 450 square feet of space on the ground floor which was an interior location with access from the lobby. In due course we gave them a letter of intent indicating we would like to occupy that particular space. At the same time we were careful to stipulate, or to insert, a condition in our acceptance of the offer that it would be contingent upon a Canadian government travel bureau occupying the space, because otherwise it would be of no use whatsoever to us to have an interior location.

Subsequent to the decision of the Canadian government travel bureau not to occupy the premises we informed the real estate people that we also were not interested.

That, gentlemen, is my story.

*By Mr. Macnaughton:*

Q. Would you be interested in Canada House if it were proceeded with?—

A. If the Canadian travel bureau were there we would be interested; not otherwise.

*By Mr. Lennard:*

Q. This would be a branch office?—A. Yes.

Q. Your main office would be where the other travel offices are?—A. We have at the present time what I would term a rather dismal looking office on Fifty-Eighth Street. Our lease expires on April 30 this year. The landlord will be happy when we get out and so will we.

*By Mr. Macnaughton:*

Q. It is a side street?—A. Yes. We must seek another location.

Q. Where would you prefer to be?—A. We had in mind a small satellite office like this or at another location on a corner of Forty-Second Street and Park Avenue.

Q. Do you consider Fifth Avenue a good location?—A. Yes.

*By Mr. Crestohl:*

Q. I am interested in what you understood when you gave a letter of intent? Would you explain to us what you had in mind when you said "We gave a letter of intent". Shall I clarify that question?—A. If you would, please.

Q. Were you satisfied in your mind when you gave a letter of intent that you agreed to take that space, that is, the number of square feet agreed upon and the rental agreed upon, providing the Canadian government travel bureau



was to go in there? That was your sole condition?—A. There were other conditions attached, but we considered if all the conditions were met it was binding on our company.

*By Mr. Kucherepa:*

Q. Your operations in New York are not concentrated under one roof?—A. There is an advantage in having them in different locations.

Q. One central location is not desirable?—A. No. To give you an indication, we were speaking of 450 feet in an interior location at a rental of less than \$6,000 a year. In other words, it was a high-class office rental prestige frontage space.

*By Mr. Fairfield:*

Q. In your letter of intent was the condition concerning the travel bureau the most important one? You said there were others.—A. The second one related to date of occupancy. The lease for our present premises expires on April 30 and as a consequence we were concerned as to the date of occupancy.

*By Mr. Kucherepa:*

Q. Would that have been met?—A. No.

*By Mr. Macnaughton:*

Q. Have you consequently entered into another lease?—A. No. We are looking.

*By Mr. Crestohl:*

Q. May we assume that if the Canadian government travel bureau tomorrow, by some rearrangement of present conditions, occupied Canada House and the space which you sought was available and the other conditions were agreed upon would you still take that space?—A. I think we would.

*By Mr. Morris:*

Q. You have said that the space would be 450 square feet?—A. Yes.

Q. You said your present lease is expiring and you have no intention of occupying more than 450 feet in Canada House?—A. That is right. But we would have had a supplementary ticket office in the air lines terminal on Forty-Second Street. We would have divided it between the two offices.

Q. You had no intention of putting in a large office in Canada House?—A. No.

*By Mr. Cardin:*

Q. What is the amount of the lease for the present space which you occupy?—A. It is on a side street. Is it relative?

*By Mr. Macnaughton:*

Q. Yes. You made the point that Fifth Avenue is to be preferred to a side street. Am I right?—A. Yes.

*By Mr. Cardin:*

Q. May we have the answer? I asked what was the cost?—A. I am in the hands of the chairman, but I might remind you that as a member of a crown corporation these are matters of internal management. I think that is a principle which has been established heretofore.

The CHAIRMAN: I am in a spot. I am willing to listen to advice from both sides as to what I should make as a ruling.

Mr. NESBITT: I think it is a situation similar to when Mr. Gordon was called before the committee on railways and shipping when the question was raised as to tenders and so on. It is a competitive business and the Trans Canada Air Lines have other types of competitors in other fields. I do not think it is a proper question.

Mr. MACNAUGHTON: I agree with that.

Mr. STEWART (*Winnipeg North*): Normally, I do not think any crown corporations should be asked to give information which might be of assistance to a competitor, but this seems to be different. If Trans Canada Air Lines had gone into the new building the rental would have been known and since this lease is about to expire it does not matter much whether or not it is known.

Mr. NESBITT: It is a matter of principle. I do not think it is all that important in any event.

The CHAIRMAN: If I understand Mr. Nesbitt correctly he stated that when Mr. Gordon of the Canadian National Railways was before this committee he was not required to give similar information. Am I right?

Mr. NESBITT: Yes.

The CHAIRMAN: In view of that fact, I think I will rule similarly in this case.

Mr. SMITH (*Calgary South*): I move we adjourn.

Mr. MACNAUGHTON: Do we have another witness?

The CHAIRMAN: Yes. Mr. Roberge is here. It is not possible for him to be with us on Monday. If it meets with the approval of the committee we will hear him now.

I am sure we have all appreciated Mr. Wood's appearance here. Mr. Roberge is in the same position as Mr. Field and Mr. Wood in that he does not have a prepared statement.

Mr. HAIDASZ: Where is Mr. Roberge from?

The CHAIRMAN: From the National Film Board.

Mr. SMITH (*Calgary South*): Mr. Chairman, are we still, as a steering committee, going to sit to examine the documents?

The CHAIRMAN: Yes.

Mr. SMITH (*Calgary South*): Do you have the documents?

The CHAIRMAN: No.

Mr. Lawson, before you leave there is the question of the steering committee examining these letters.

Mr. LAWSON: What time do they wish to see them?

The CHAIRMAN: Could you leave them with us and we will deliver them to you?

Mr. LAWSON: I would prefer not to; they are personal letters. I would like to show them to you in order to assure you that the extracts which I gave this morning were exact extracts from them.

Mr. SMITH (*Calgary South*): Could the members of the steering committee adjourn over to the corner.

Mr. MACNAUGHTON: We will be through in 15 minutes. Perhaps you could wait.

The CHAIRMAN: I think Mr. Lawson feels that he has had a long day and we are likely to take considerably more time.

Mr. LAWSON: I would be glad to wait for 10 or 15 minutes.

**Mr. Guy Roberge, Government Film Commissioner, National Film Board.**

Mr. ROBERGE: The requirements of the National Film Board for space in Canada, and it is also the case in New York, are handled by the Department of Public Works.

Mr. SMITH (*Calgary South*): I move we adjourn.

Mr. KUCHEREPA: You should be in parliament, Mr. Roberge.

The CHAIRMAN: That is the best short speech I have heard in a long time.





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HOUSE OF COMMONS

Government Publications

First Session—Twenty-third Parliament

1957-58

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STANDING COMMITTEE

ON

EXTERNAL AFFAIRS

*Chairman:* H. O. WHITE, Esq.

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MINUTES OF PROCEEDINGS AND EVIDENCE

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No. 11

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MAIN ESTIMATES OF THE DEPARTMENT OF  
EXTERNAL AFFAIRS—1957-58  
INCLUDING SECOND REPORT

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MONDAY, JANUARY 20, 1958

TUESDAY, JANUARY 28, 1958

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WITNESSES

The Honourable Sidney E. Smith, Secretary of State for External Affairs;  
and W. D. Matthews, Assistant Under-Secretary of State for External  
Affairs.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1958

# STANDING COMMITTEE ON EXTERNAL AFFAIRS

*Chairman:* H. O. White, Esq.

and Messrs.

Aitken (Miss)	Henderson	Martin ( <i>Essex East</i> )
Best	Herridge	McCleave
Breton	Holowach	McGee
Cannon	Jones	Morris
Cardin	Knowles ( <i>Winnipeg</i>	Nesbitt
Coldwell	North Centre)	Patterson
Crestohl	Kucherepa	Pearson
Fairfield	Lennard	Smith ( <i>Calgary South</i> )
Garland	Low	*Stewart ( <i>Winnipeg</i>
Gauthier	MacEachen	North)
( <i>Lake St. John</i> )	Macnaughton	Stick
Haidasz	Macquarrie	Stuart ( <i>Charlotte</i> )
		*Walker—35.

J. E. O'Connor,  
*Clerk of the Committee.*

\* Replaced on January 23, 1958 by Mr. Pratt

\* Replaced on January 28, 1958 by Mr. Cameron (*Nanaimo*)



## ORDERS OF REFERENCE

THURSDAY, January 23, 1958.

ORDERED,—That the name of Mr. Pratt be substituted for that of Mr. Walker on the said Committee.

TUESDAY, January 28, 1958.

ORDERED,—That the name of Mr. Cameron (Nanaimo) be substituted for that of Mr. Stewart (Winnipeg North) on the said Committee.

Attest.

LEON J. RAYMOND

*Clerk of the House*

January 28, 1958.

The Standing Committee on External Affairs begs leave to present the following as its

### SECOND REPORT

On Tuesday, November 26, 1957, the House referred to your Committee for consideration Items numbered 94 to 118 of the Main Estimates 1957-58, Item numbered 617 of the Supplementary Estimates 1957-58, and Item numbered 778 of the Further Supplementary Estimates (2) 1957-58.

Your Committee has held 15 meetings during which statements and evidence were heard from The Honourable Sidney E. Smith, Secretary of State for External Affairs; The Honourable Ray Lawson, former Canadian Consul General at New York; Mr. William Zeckendorf, President, Webb & Knapp, Inc., New York; officers of the departments of External Affairs, Trade and Commerce, Secretary of State, Northern Affairs and National Resources, the National Film Board, Trans-Canada Airlines, and the Chairman of the International Joint Commission.

On Items 94 to 111 and Items 115 to 118 of the Main Estimates, Item 617 of the Supplementary Estimates, and Item 778 of the Further Supplementary Estimates (2), your Committee heard evidence from Mr. Jules Léger, Under-Secretary of State for External Affairs, and Mr. W. D. Matthews, Assistant Under-Secretary of State for External Affairs, who were assisted by the following officers of the Department of External Affairs: Messrs. H. F. Clark, Director, Finance Division; M. Grant, Director, Supplies and Properties Division; J. H. Cleveland, Director, American Division; T. P. Malone, Director, Consular Division; A. D. Ross, Head of Press Office; R. Grey, Economic Division; J. J. McCardle, Defence Liaison (I) Division; H. M. Robertson, Supplies and Properties Division; J. A. Irwin, United Nations Division; R. L. Rogers, Far Eastern Division; W. E. Bauer, Far Eastern Division; and J. A. Zoubie, Properties Abroad Section, Supplies and Properties Division.

Messrs. Alan Field, Chief, Government Travel Bureau, Department of Northern Affairs and National Resources; Guy Roberge, Government Film Commissioner, National Film Board; and F. T. Wood, Administrative Assistant to the President of Trans-Canada Airlines, were also heard.

On Items 112 and 113, your Committee heard General A. G. L. McNaughton, Chairman of the Canadian Section of the International Joint Commission, who was accompanied by Miss E. M. Sutherland, Secretary, and Messrs. D. G. Chance, Assistant Secretary, J. L. MacCallum, Legal Adviser, and E. R. Peterson, Engineering Adviser.

On Item 114, your Committee heard Mr. R. G. Nik Cavell, Administrator of the International Economic and Technical Co-operation Division of the Department of Trade and Commerce, who was assisted by Messrs. R. W. Rosenthal, Assistant Administrator, F. E. Pratt, Chief, Capital Projects Section, D. W. Bartlett, Chief, Technical Co-operation Service, and J. H. Marshall, Assistant Chief, Capital Projects Section.

Your Committee, after carefully considering Items 94 to 96; 98 to 103; 105 to 107; 109 to 118 of the Main Estimates; Item 617 of the Supplementary Estimates; and Item 778 of the Further Supplementary Estimates (2) approves them and recommends them to the House for approval.

In view of the evidence presented to it, with respect to Items 97, 104 and 108 of the Main Estimates, your Committee recommends that consideration be given to the reduction by \$356,500 of Item 97; the reduction by \$5,000 of Item 104; and the reduction by \$5,000 of Item 108.

The Committee is pleased that as a result of a re-examination by it of the Canada House project in New York, and of the hearing by it of the Honourable Ray Lawson and of Mr. William Zeckendorf as witnesses, the Government has decided to carry out the intention of the previous Government of leasing space in the Canada House building.

The Committee wishes to record its appreciation and to extend thanks to all those who appeared before it and contributed to the successful completion of its work.

A copy of the Committee's Minutes of Proceedings and Evidence is appended.

Respectfully submitted.

H. O. WHITE

*Chairman*

## MINUTES OF PROCEEDINGS

MONDAY, January 20, 1958.

The Standing Committee on External Affairs met this day at 5.15 p.m. The Chairman, Mr. H. O. White, presided.

*Members present:* Messrs. Best, Cannon, Cardin, Crestohl, Fairfield, Garland, Gauthier (*Lake St. John*), Haidasz, Herridge, Henderson, Holowach, Jones, Kucherepa, Lennard, MacEachen, Macnaughton, Macquarrie, McCleave, McGee, Morris, Nesbitt, Smith (*Calgary South*), Stewart (*Winnipeg North*), and White.—(24)

*In attendance:* The Honourable Sidney E. Smith, Secretary of State for External Affairs; Mr. W. D. Matthews, Assistant Under-Secretary of State for External Affairs; Mr. Charles Stein, Under-Secretary of State and Deputy Registrar General of Canada; Mr. Guy Roberge, Government Film Commissioner, National Film Board; Mr. Alex Cattanaach, Director, Companies Division, Secretary of State Department; and Mr. J. A. Zoubie, Properties Abroad Section, Department of External Affairs.

The Chairman called the meeting to order and reported the views of the Sub-Committee on Agenda and Procedure with respect to three letters referred to it by the Committee at its last meeting held Friday, January 17.

The Secretary of State for External Affairs was called by the Chairman and made a further statement regarding the government's position on the negotiation of a lease for the rental of space in Canada House, New York.

He was questioned by Members of the Committee, thanked and retired by the Chairman.

Item 94—Departmental Administration—was called and adopted.

At 5.40 p.m. the Committee adjourned to the call of the Chair.

TUESDAY, January 28, 1958.

The Standing Committee on External Affairs met at 4:00 p.m. this day *in camera*. The Chairman, Mr. H. O. White, presided.

*Members present:* Miss Aitken, Messrs. Best, Cameron (*Nanaimo*), Cannon, Cardin, Coldwell, Fairfield, Garland, Gauthier (*Lake St. John*), Haidasz, Herridge, Henderson, Holowach, Jones, Kucherepa, Lennard, McEachen, Macnaughton, McCleave, Morris, Nesbitt, Patterson, Smith (*Calgary South*), and White.—24

A draft "Report to the House" was distributed to Members of the Committee, discussed, amended, adopted and ordered to be presented to the House as the Committee's "Second Report".

The Chairman thanked Members of the Committee for their co-operation.

At 4:35 p.m. the Committee adjourned to the call of the Chair.

J. E. O'Connor  
Clerk of the Committee





## EVIDENCE

MONDAY January 20, 1958.

The CHAIRMAN: Gentlemen, I appreciate very much your attendance here this afternoon, considering the excitement and the speeches that are in progress in the Chamber but we have called men here from a distance and I am not going to take much of your time. Immediately following our last meeting on Friday the 17th, your subcommittee on agenda and procedure met to consider the advisability of having the three letters written by the past Prime Minister, the Right Hon. Mr. St. Laurent, to the Hon. Ray Lawson and referred to before the committee, printed in their entirety as part of the committee's proceedings.

The letters were read to the subcommittee and it was decided that the portions of the text introduced into the record by Mr. Lawson were the principal pertinent parts of the letters. It was therefore decided that no useful purpose could be served at present by having the complete text of the letters printed. If, at some later time, it appears that their reproduction in the record would be of material value to the committee, I am sure that it can be arranged.

Now, before we proceed with our witnesses for today, I would like to mention that both Mr. Norman and Mr. Carswell will be in Ottawa on Wednesday, January 22, and I have therefore scheduled two meetings one at 2.30 p.m., when Mr. Norman will be our principal witness, and one at 8.00 p.m. in order to accommodate Mr. Carswell.

Since making these arrangements, Mr. Smith has intimated to me that he has a statement that he would like to make to the committee, and I am going to ask him to make his statement at this time.

Hon. SIDNEY E. SMITH (*Secretary of State for External Affairs*): Mr. Chairman, and members of the committee. The letter of intent that was given by the government, that is the previous government, on October 19, 1956, was based on two factors and those factors were set forth in Mr. Leger's letter to Mr. Carswell, which he, Mr. Leger, sent out on behalf of the present administration. It is set out in that letter, I repeat, of November 8, 1957.

The first one was the Canadian aspect of the Canada House project both in regard to financing and to occupancy of the building and, secondly, the representation that there would be light on three sides of the projected building. The acquisition by Webb and Knapp of 50 per cent of the equity changed factor No. 1 in the view of the government. The building would no longer be controlled and managed by a Canadian group, and I make that point again. The information that was given to the government on June 13, 1957, that Canada House (New York) Limited had not the air rights below 150 feet changed fundamentally the type of occupancy of the floors below that level. Evidence was given here that it is not unusual in that part of New York to have buildings with light on two sides, but the government did rely on the representation, that it would be on three sides. That is not the case up to 150 feet. I hardly know what the height of the floors is. Mr. Zeckendorf and others thought it was from the eighth to the tenth story, but it is 150 feet.

These factors changed the very basis of the letter of intent bearing the date of October 19, 1956. Therefore, the government, the present government, does not regard the letter of intent as being legally or morally binding because the basis has been changed. I used to try to teach law. It has been defined by the law officers of the crown that it is not a contract. Even if it had been a

contract—and I use this simply as an example—let us say that the chairman who is in the honey business, undertook to sell me two tons of brown honey for a consideration. It would be a binding contract. Then he offers to me two tons of white honey. I could then take this ground, validly and conclusively, that he has broken the contract and therefore I am not bound by it. I might even sue him for damages. And this is true also in the case of the letter of intent where the basis upon which it was given had changed.

Mr. CRESTOHL: That is too sweet an example!

Mr. SMITH (*Hastings-Frontenac*): Touché. It does worry me when it is said there has been a breach of faith in that regard. With respect to the light, the government did not know until the hearing of this committee on Friday, January 17, 1958, that Canada House (New York) Limited bought the air rights above 150 feet from the Museum of Modern Art for \$250,000, although Canada House (New York) Limited must have known then for some time that the light on that side would be blocked off and they had bought the air rights, or the rights above the 150 foot level for \$250,000. Canada House (New York) Limited regarded that as a serious situation, and we of the government still regard the inability of Canada House (New York) Limited to provide light on the west side of the building up to the level of 150 feet as a very serious matter. Just as the Canada House Company must have considered it when they put out \$250,000 for rights above the 150 foot level.

The purpose of a committee such as this committee on external affairs is to explore problems relating to the department. I was, very frankly, having regard to the evidence that was given here last Friday, of the opinion that the committee has fulfilled its objective in providing other discussions of Canada House of which the government has taken note.

Now, having in mind the offer Mr. Zeckendorf made for the first time before this committee last Friday, January 17, 1958, and which Mr. Lawson told me was a surprise to him, that he, Mr. Zeckendorf, after he recovers his investment, will give to the Canadian government, or offer to the Canadian government his 50 per cent equity.

We knew the original sponsors would make this offer but we wondered whether it had gone by the board, having regard to Mr. Zeckendorf's coming into the company to the extent of 50 per cent of the equity. But this undertaking of the 28 original sponsors was re-affirmed by Mr. Lawson here last Friday. The government cannot, therefore, now regard the Canada House project merely as a commercial undertaking because we have these promises from all the holders of the equity stock, and to our mind, this changes the situation that existed before the meeting of last Friday. Therefore, I inform the committee, notwithstanding our concern about the lights, that the government will authorize officials to negotiate for a lease in Canada House, subject to a date of occupancy that will not leave a gap between the date when space will be ready for occupancy and the termination of the lease in Rockefeller Center on April 30.

We will have to ensure that we have a roof over our heads. The question was asked last Friday of Mr. Zeckendorf whether it would be possible to provide for occupancy if we would go into Canada House by April 1, and those of you who recall Mr. Zeckendorf's attitude and mine at that time will remember that he paused and he said, "Yes, we can do that, but that is something we would have to insure against".

Mr. MACNAUGHTON: Did you say the government will authorize the negotiation of a lease?

Mr. SMITH (*Hastings-Frontenac*): Yes, subject to certain things.

Mr. MACNAUGHTON: Yes, very good.



Mr. SMITH (*Hastings-Frontenac*): Having regard to that change, in so far as it can no longer be considered as merely a commercial undertaking by us, the government will authorize officials to negotiate for a lease in Canada House, subject to a date of occupancy that will not leave a gap between the date when space would be ready for occupancy and the termination of the lease in Rockefeller Centre on April 30, 1958. This will also be subject to our reaching an agreement that the rental per usable square foot will be no greater than the rate at which comparable space is now being offered to other prospective tenants.

Mr. CANNON: You are speaking of space in the same building?

Mr. SMITH (*Hastings-Frontenac*): Yes, space in the same building. Should we decide to take upper floors the rent must not be greater than that at which the space on the third and fourth floors was offered to the government.

Mr. MACNAUGHTON: You have a commitment to that effect in any event. They have offered you that space for the same rent? In fact, this is a bonus?

Mr. SMITH (*Hastings-Frontenac*): We are talking about the usable space. I might point that out. I am trying to be fair to Mr. Zeckendorf. That is what I understood from his evidence. However, the record will show this more clearly. He may have been talking in terms of gross area. We are speaking in terms of usable space. Should we decide to take upper floors, the rent must not be greater than that at which the space on the third and fourth floors is offered to the government.

The permanent delegation to the United Nations, as previously announced, will occupy space at 750 Third avenue, where space was leased on October 30, 1957.

That is my statement.

Some Hon. MEMBERS: Hear, hear.

Mr. HENDERSON: For what term is that lease, in respect to the space on Third avenue?

Mr. SMITH (*Hastings-Frontenac*): The term of the lease is 15 years.

Mr. HENDERSON: That is for the space on Third avenue.

Mr. CRESTOHL: Mr. Minister, is the committee to understand that, subject to convenience of space, comparative prices, and all other conditions in that building being suitable to the government departments, the government will go along with the theory, and with the notion and the desire of having a Canada House in New York which will centralize as many of the government departments and Canadian institutions as may be possible?

Mr. SMITH (*Hastings-Frontenac*): That is involved in my statement.

Mr. CRESTOHL: If that is the situation I think the committee will be very pleased to hear it.

Mr. SMITH (*Hastings-Frontenac*): I made one specific reservation, Mr. Chairman, having regard to the necessity for the close proximity of our United Nations delegation to the United Nations buildings. It is difficult to speak of the future, but I cannot foresee that they would ever be put any place other than here.

Mr. CRESTOHL: You explained that the other day, and I can understand that. Apart from that, however, the general principle and notion of having a central spot in New York known as "Canada House" is what appeals to this committee, I think. If the government goes along with this notion, of course, we will all be pleased.

Mr. SMITH (*Hastings-Frontenac*): Could you name the departments, Mr. Matthews?

Mr. MATTHEWS: The offices of the Departments of Trade and Commerce, National Revenue, and Immigration, the National Film Board, the Travel Bureau, and at 750 3rd Avenue, the Canadian permanent delegation to the United Nations.

Mr. CRESTOHL: I think the government should be congratulated for having taken this position now.

Mr. SMITH (*Hastings-Frontenac*): Mr. Chairman, I do not want to be canny, but I cannot give an undertaking with respect to some agency that is born hereafter which, of its very character, would require to be near some other place.

Mr. MACNAUGHTON: We are not asking for that.

Mr. SMITH (*Hastings-Frontenac*): I speak only of this present time.

Mr. MACNAUGHTON: You are speaking of the Travel Bureau and various other agencies that are distributed around New York.

Mr. SMITH (*Hastings-Frontenac*): The only exception I have made there of the divisions that will be housed in New York is the United Nations delegation. They will be in that other building for 15 years.

Mr. CRESTOHL: You have explained the reason for that.

Mr. SMITH (*Hastings-Frontenac*): That was done in April. There is a memorandum on file, initialed by the Right Hon. Mr. St. Laurent, which indicates there is nothing in the discussions we have had that would prevent our going elsewhere.

Mr. HERRIDGE: I would just like to say that in view of the very general interest of all parties in this question, and the good work of the sponsors of this building, and all the evidence presented to the committee, we are very pleased indeed to hear the minister make this statement this afternoon. It is further evidence of the value of parliamentary committees.

Some Hon. MEMBERS: Hear, hear.

Mr. SMITH (*Hastings-Frontenac*): I tried to pay tribute to that very thing in my statement, Mr. Chairman.

Mr. GARLAND: Mr. Chairman, as the one who originally raised this question of Canada House in the committee, which resulted in a delay of these proceedings, perhaps I should say a word at this time. I first learned of this proposed change in the attitude of the government in New York while passing Canada House, which was under construction. It was quite a shock to me to learn about this change. I was also shocked by the explanation given to me by the taxi driver when I questioned him about this matter. Another party and I were discussing this in our taxi. I am sure this is false, and I hope it is, but apparently there was an impression abroad that because Americans had some money invested in this project the government was now turning a cold shoulder to it. I think that sort of impression is bad. I am sure the minister agrees with me in that regard. It was for that reason, and because I wholeheartedly support the idea of a Canada House in New York, and for the reasons that are apparent to all of us, that I raised this question. I certainly welcome the announcement the minister has made this afternoon.

Mr. SMITH (*Hastings-Frontenac*): Mr. Chairman, this decision was not anti-American at all. This project was thought of and conceived as a Canadian house financed by Canadians—subject to mortgages and a raising of money under security—and operated by Canadians. Whether it was financed with American money or Dutch money, in our minds the project had changed its character. It was not an anti-American decision.

When Mr. Zeckendorf promised—and he said he would communicate with us—that he would join with the others and give over his equity, we clearly

came to the conclusion, over the week-end, that this was not a commercial undertaking, but that it was really conceived of, and wrapped up now, as a Canadian undertaking.

Mr. GARLAND: I think the government is to be commended for their action. I would like to say that I am sure the time of the committee was well taken in discussing this matter during this extra period of time. I do not feel obliged in any way to apologise for having raised the question originally.

Mr. MACNAUGHTON: Mr. Chairman, I would just like to commend the last speaker. I have been interested in this matter since 1953, informally, of course. Certainly on my business judgment, if I have any, it would be fatal not to go ahead with the project, New York being the commercial, communication, tourist and publicity centre of the world.

May I try to throw a little light on a most unpleasant matter that came up last Friday, now that we are all in a good mood? I am referring to the question of Canadian Club memberships.

When I arrived back in Montreal I telephoned the secretary of the Canadian Club. Being Saturday, it was difficult to contact him, but I subsequently spoke to the president. He told me that he had issued a statement to the *New York Herald Tribune* on Saturday morning, first with regard to Canada House, and secondly with regard to the fact that no discrimination was practised by the Canadian Club. He read a by-law to me. I can only quote what I remember because I have not the by-law with me. It is being sent, but it has not arrived yet. Having regard to membership, it says something to this effect:

The membership committee shall not enter into any political or religious discussions concerning the religion or political affiliation of any person under consideration.

So that at no time has the question of discrimination ever been practised or is practised at the present time. Now, I asked for some proof of that and I was told that at the moment there are eight recognized Jewish members and he was very loathe to give me any names. But, I do know of two.

One is Mr. Zellerbach of Zellerbach Paper Company and the other is Mr. Cummings who started in Montreal and who is now in Chicago. I did not feel I was entitled to ask for any other names. If I had a membership list, I could pick them out. There are at least another eleven members who are reported to be of Jewish faith but they have not been questioned as to whether they are or not. I think that disposes of the discriminatory argument.

Furthermore there is the question of the issue of the charter under the company laws of the State of New York and I am told that the New York State laws provide against discrimination of any sort being practised and that if it were practised, the charter would be revoked or in the initial stage, would not be issued. So that although I have not the by-laws or the constitution with me, they are being sent, and I have reason to believe and I am satisfied that discrimination is not practised and that in the circumstances, the Canadian Club is the type of club that we would all like to belong to and in the past has served the Canadian interests to a great degree. I was wondering, after having made this informal statement, if the gentleman who made the charge might not care to withdraw it.

Mr. CRESTOHL: Were you making that statement on behalf of the members of the club?

Mr. MACNAUGHTON: No, on my own behalf as a member of the club and I have reason to believe it.

Mr. SMITH (*Hastings-Frontenac*): I was not here at the time that evidence was given, Mr. Chairman. We have been asked since Friday whether the government or any member of the department—and I was indeed very happy to hear that the story did not come from us.



Mr. MACNAUGHTON: After all, the club has entertained the Queen and various Prime Ministers and any Canadian of any distinction and it would be an impossible situation if discrimination were practised. I would not care to belong to any club that tolerated or indulged in discrimination.

The CHAIRMAN: Gentlemen, I welcome the statement and I think the committee welcomed the statement of Mr. Macnaughton.

Mr. SMITH (*Hastings-Frontenac*): I do not suppose it will ever be caught up with.

Mr. MACNAUGHTON: I am afraid not.

The CHAIRMAN: Two men are asking for the floor and I am going to give it to Mr. Smith.

Mr. SMITH (*Calgary South*): I merely move that we pass the item and move upstairs.

Mr. HENDERSON: I just want to ask Mr. Smith, the minister, have we not got our records as to what Mr. Zeckendorf said the other day.

As I recall it, did he not say it was Webb and Knapp of Canada that put their financing into it?

Mr. LENNARD: No. He said the opposite.

Mr. SMITH (*Hastings-Frontenac*): It was clear in my recollection.

Mr. LENNARD: He stated that after going into the matter, Webb and Knapp (Canada) Ltd. felt that they should not do this as a Canadian company.

Mr. CANNON: On the same matter, I wanted to say a word on that and to congratulate the minister on the statement he made and congratulate the government on having changed their minds about this matter.

Mr. SMITH (*Hastings-Frontenac*): I do not agree there. I do not think we changed our mind. The character has changed since that offer.

Mr. MACNAUGHTON: As long as you proceed, we do not care.

Mr. McCLEAVE: As long as he changed his mind.

Mr. CANNON: I am congratulating the government on the changing of their minds and the facts brought out and I also want to put in a word to congratulate Mr. Garland who brought up the matter in the first place and Mr. Crestohl who suggested that we hear Mr. Zeckendorf and Mr. Lawson. I think these two gentlemen have rendered a service to Canada in having this matter brought to a head and solved.

Mr. SMITH (*Hastings-Frontenac*): I doubt whether we would have had that undertaking if Mr. Zeckendorf had not come here and felt the spirit and attitude of the meeting.

Mr. CRESTOHL: In view of these decisions, I think it would be unnecessary to hear the other witnesses whom you decided to call, namely Messrs. Norman and Carswell and I am prepared to move that we dispense with hearing them.

The CHAIRMAN: That is fine. Thank you. I recognize Mr. Smith.

Mr. SMITH (*Calgary South*): I merely wanted to move that we pass the item and move upstairs.

Mr. HENDERSON: Mr. Macnaughton should be congratulated upon the initiative he took at the beginning of this discussion, to bring it to the attention of the committee and should also be associated with the other two members who have been so mentioned. He should also be congratulated upon clearing up this matter of racial restrictions in connection with the joining of the Canadian Club in New York.

The CHAIRMAN: Shall item 94 carry?

Agreed to.

I want to thank you gentlemen. After all we have had several meetings and you gave a very good hearing to every one. The situation was difficult at times. I appreciate the cooperation that you have given me and I think everyone is glad that the results are unanimously satisfactory.

Mr. HENDERSON: We appreciate your cooperation in this matter, too, Mr. Chairman.





















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